THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses 1995–1996

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THE
EMPIRE
CLUB
OF CANADA

1995–1996
92nd Year

HER MAJESTY QUEEN ELIZABETH II AND PRINCE PHILIP

THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses
1995–1996

God Save The Queen

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The Empire Club of Canada

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EMPIRE CLUB

DAVID EDMISON
President, 1995–1996

The Empire Club of Canada
PRESIDENT'S FOREWORD

"A Word is dead
When it is said,
Some say.
I say it just
Begins to live
That day."
Emily Dickinson

Between these bookcovers are the vibrant words of men and women associated with the arts, business, medicine, government, and religious and world organisations. They inform, inspire and cause us to reflect.

As the premier public speaking forum of record, the Empire Club of Canada provides a unique opportunity to our guest speakers to deliver their important message. Many of our guests this year were individuals who played important roles in shaping the course of international affairs, while others exercised their well-earned privilege to comment with authority on these events. From prominent evangelist to statesmen, they represented different countries and viewpoints. These are the words of leaders—prophetic and profound, poignant and provocative.

In Canada it was an eventful year as the winds of change blew across our nation. In Ontario a new government was elected, representing a political sea change. Our Club hosted an election series with the three leaders sharing their visions, allowing us to witness these political currents. In Quebec, a referendum on sovereignty was narrowly defeated by the federalists. We heard the passionate words of one of the leading federalists in Quebec in the midst of this historic debate. The political leaders in British Columbia, Quebec and Newfoundland retired during the year, with their successors setting their own agenda for change.

The economic environment also evolved as businesses restructured to compete in a global economy. We heard from speakers about the challenges and opportunities that lay ahead in the new information age. We hosted a four part "Health and Society" series and gained valuable perspectives on the myriad of issues confronting our health care system.

It has been said that "language is the archives of history." The thoughts and words of the distinguished individuals who graced our podium live on in the Empire Club Book, published each year and distributed to 3,000 Canadian libraries and to all our members. This book has been in continuous publication since our founding in 1903, making the Empire Club of Canada one of the oldest speaking forums of record in existence. It is a valued resource for researchers and students and an important historical document. This volume joins the others before it, forming the legacy of the Empire Club of Canada—the enduring words of leaders, captured in print for this and future generations.

We are grateful to the benefactors and donors who have made this keepsake available to us to enjoy for many years to come.

David Edmison, President 1995–96

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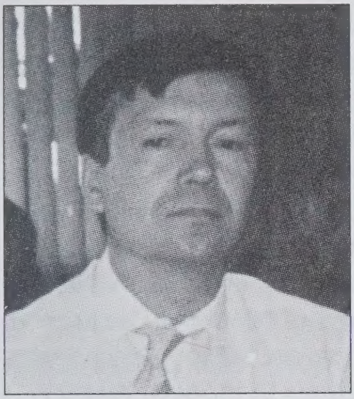


May 18, 1995

Alexandru Mironov

Minister, Youth and Sports, Republic of Romania

ROMANIA—THE BRIGHT FUTURE AND PRESENT PROBLEMS

Chairman: **David A. Edmison**
President, The Empire Club of Canada

Head Table Guests

William Whittaker, Q.C., Partner, Lette, Whittaker and Honorary Director, The Empire Club of Canada; Paul Barnicke, Partner, Ernst and Young; Gillian Platt, Assistant Deputy Minister, Recreation, Government of Ontario; Captain The Rev. Philip Ralph, 2nd Field Engineer Regiment, CFB Toronto and Pastor, Yorkview Heights Baptist Church; Albina Guarnieri, Parliamentary Secretary to the Ministry of Canadian Heritage and MP Mississauga East; Corneliu Chisu, Vice-Chairman, Canada-Romania Business Council and President, Light Allied Technologies Corp.; Ilie Puscas, Consul General of Romania; Willis Blair, Secretary, The Empire Club of Canada; Marta Chisu, Seneca College student and a member of the Romanian national figure skating team; Tony Ruprecht, MPP, former Minister of Multicultural Affairs; and H. J. (Joe) Janthur, Chairman, Canada-Romania Business Council and President, Depag Deposit Agency of Canada Inc.

Introduction by David Edmison

On December 22, 1989, Romanian poet and former dissident, Mircea Demescu appeared on the recently liberated national television and declared: “God has turned his face towards Romania again.” These words dramatically conveyed the depth of feeling about the events which were engulfing his country.

The revolution which began in Timisoara on December 15, 1989, ignited by a courageous minister, Reverend Loszlo Tokes, ended in the streets of Bucharest with the overthrow of Nicholas Ceausescu. It was an irresistible popular uprising which ended four decades of one of the most oppressive totalitarian regimes in modern history.

The Romanian people are no stranger to oppression or foreign occupation. Since early in its history, this beautiful Balkan country has endured a succession of rival conquests. First came the Romans, then the Goths, the Huns, the Tartars, the Hungarians, the Germans, the Turks, the Poles, the Austrians and, finally, the Russians. The Romanian borders have been almost elastic, expanding and contracting, depending on the outcome of treaties and alliances.

In 1945 Romania, along with its Balkan neighbours, was subject to the “spheres of influence” formulated by the allied victors. The hopes and aspirations of freedom after Yalta were rapidly extinguished by Stalinist repression.

Today, all is changed. The Berlin wall has collapsed, the centralist ideologies have been discredited and Romanians can chart their own destiny. The aspirations of the Eastern European nations were perhaps best expressed by playwright and former Czech dissident, Vaclav Havel, when after taking office as President, said: “I dream of a republic that is independent, free and democratic, a republic with economic prosperity yet social justice, a humane republic that serves the individual and, therefore, hopes that the individual will serve it in turn, a republic of well rounded people because without such people it is impossible to solve any of our problems, whether they be human, economic, ecological, social or political.”

Alexandru Mironov, like Vaclav Havel, took an active role in the revolution in his country and is a man who devoted much of his life to the arts. After the revolution he acted as an advisor to the President of Romania and was appointed Minister of Youth and Sports.

Our guest graduated in mathematics and spent several years as a mathematics teacher. In his youth he was a fencer and he is now President of the Romanian Fencing Federation. He has had a lengthy career as a scientific writer and a newspaperman. He also hosted a weekly television programme "science and imagination." He is an international award-winning telejournalist and best-selling author. He is President of the Romanian Science Fiction Association and sits on several international science fiction bodies.

Our guest speaks fluent English and French and can also manage a conversation in Russian, German and Italian.

Ladies and gentlemen, would you please welcome our distinguished guest, a truly Renaissance man, Alexandru Mironov.

Alexandru Mironov

Mr. President, ladies and gentlemen, members of the Club, their guests:

I thank you for the warm words you have already said, Mr. President, and I want to say that as a writer and as a journalist dealing with the future, there was never in my crystal ball or in my cards that I shall ever speak to such a club in the town where Marshall McLuhan invented the global village.

Along with the global village let me tell you that there is an idea called planetary projects, and it was the first thing that came to my mind that I should speak about to you. I think that we have to make planetary projects because they bring peace. I shall give you an example. When the Suez Canal was built 100 years ago, there were at least one million people working there—Palestinians and Jews and Egyptians and so on. And there was no war during that time in that zone. After that, peace never came back. Let's hope it will come one day. So I think that working on planetary projects will really help bring peace in the places where such projects are built.

Let me give you an example of a planetary project that may come soon. It will be an international co-operation and I'm quite sure it will bring peace and tranquillity to the area. There is now in the Union of Europe and the Council of Europe talk about a highway going from Helsinki to Tallinn to Moscow to Kiev to Bucharest and then to Belgrade. I think that it will be one of the most important highways in the world and people from

Finland, Russia, Ukraine, Romania, Greece and Yugoslavia will work on it. Such a planetary project when finished will be something that we shall take care of and defend. Planetary projects, big projects—I think they bring peace.

Now I shall change the subject and speak a little bit about a place that I love. It is somewhere up in the mountains. It is a lake made by man because of the power plant there. There is a research station for aquaculture which has some patents on the raising of trout. On the lake there's a floating island where the trout are being raised. Last year I was there as a reporter for television and a Canadian champion diver was there. He dived and made some photographs and films for Canadian television.

Above the station there is a mountain and up on the mountain there's a monastery—an absolutely wonderful monastery painted by a wonderful painter. The landscape is magnificent and near the research station you have the skeleton of a construction that has never been finished. We have started building there, bits and parts of that building, and we shall put students there and there will be students from all over the world. They will study the Carpathian Mountains and aquaculture. They can learn about how to raise salmon up there in the mountains.

It is something that can spread throughout our country. Small lakes, mountain lakes are all over Romania. We can raise some trout and it is, I think, a very nice example of how we can change to something efficient. As I said, the landscape is absolutely magnificent. Our legend says that He worked hard for six days. On the seventh He stopped for a while and on a sunny Sunday morning, really sunny, He created my land. That is a way of explaining to you that we have there everything we need. We are a very rich country. Everybody came there from every part of the world. The land was sweet, the crop was good, the wine has always been there, nice beautiful women so everything was there and the conquerors came and came and never stopped.

But something happened there. It happened maybe as a reaction to those who came to my country. Maybe it was a way of melting the hearts of the enemy so that you may find all the romance from those people in their descendants. And the Huns and the Russians and Turks and so on and so on. They were all there. They all are us. That is how life is in such parts of the world.

Imagine the map. You will see that Romania is in the middle of everything. Going every way from East to West, from North to South you must pass through Romania. Our ancestors had to decide that we didn't have time to build big palaces. There was no time to rush into the forests and into the mountains when conquerors came because they came all the time. And in such a way we developed a special culture which I would call the wooden culture. Please come one day and see how beautiful the peasant villages are up in the mountains. For instance, many of the monasteries are well known all over the world. Famous painters painted the monasteries but they were finished during their time. After that nobody knows their names. There is in a monastery, a painting with several hundreds of saints with halos about their heads. It is a painting having depth, really very deep, and the monk who presents the monastery will always say, "Please look through the saints—you may see there the painter too but he was so shy that he has been hidden for eternity in the middle of the colour that is there."

Now of course we have to think about the future. The President of the Republic says that, "We have always known that we have a bright future. It is the present that gives us a problem.“ It has always been that way.

First I will say a few words about what I think we have best, that is the schools. We have wonderful schools in Romania. You wouldn't believe it. But I can give you an example. We have a contest. In October the schoolboys and schoolgirls start competing in geography and mathematics and Romanian language and biology, in arts and crafts, in football and in basketball, in absolutely everything. Then they have a second stage on the level of the town, and then the district and then on the Easter holiday the finalists will be together for one week. This year there were 10,000 finalists from the age of 13 to the age of 19. Finally we had the national champions in geography and mathematics and physics and chemistry and so on and so on at all age categories.

From this we make our national teams in mathematics, physics, chemistry and informatics, because I think you know that there is an all-world championship for students in these four sciences. It has been happening for 26 or 27 years and Romania has never been below the fifth place. Last year we were second after China which has 1.2 billion inhabitants. We have only 23 million. So be sure that we are extremely good in mathematics, very skilled in physics and chemistry, we know biology and we speak foreign languages. These competitions are called Olympics and besides the fact that the national teams go to the world championships in mathematics, physics, chemistry and informatics, we tried three years ago to do something for these bright students. We sent the first 256 of them on a trip through Europe and then last year we sent them to California to the World Cup in soccer. This year we will send 8,000 of them, the best 8,000 kids of our country will be sent abroad all over Europe, even to South Eastern Asia, the United States of America and if we can fix up something I should very much like to send 20 or 30 boys and girls here so they would know your wonderful country.

I want to stress this point—in human resources it is a fact that any child going from Romania abroad with his parents or her parents would be among the best in the school. It is a fact that we have 276 full professors in mathematics at the universities in the United States of America. It is a fact, it has been proved, that really up to a certain level we are very good and in the future we may count on those bright students we have now.

Of course we are trying to change the economics now and our Council could tell you that we have a lot of things to change enormously. That is because during the 40 years before the Revolution, building the heavy industry was an ideological item. It wasn't that free initiative built the industry. We were compelled to do that. Generations had to be taken from the countryside, sent to the factories, but in the meantime good engineers have been produced by our technical schools and the good engineers are still there. That is why I hope that in the process of reform among the heavy industry we should be able to pick up the right lines and we should know where to go, in which direction. We cannot be out all that money or throw out everything that's worked. Building this industry meant paying an extra $11 billion and paying it in nine years from 1980 to 1989. It meant hunger; it meant cold. I even wrote a book called planetary projects, a book about the future, using candles at night because there was no electric light. In the evenings the power was turned off.

So what shall we do? We shall of course build with tourists and I hope that maybe you will care to see my country, the country's mountains, wonderful mountains, full of forests, lakes and rivers. We have a lot of spas. The soldiers from the Roman Empire used to come from their wars and take their rest at a spa which is called the Bluff of Hercules. The same spas are there yet for those feeling the pains of rheumatism and I strongly advise you to pay a visit. It will be very cheap; it will be convenient for everybody and it will really help your health.

We have the Black Sea coast. The Black Sea is a very special sea, less polluted than other parts of the Mediterranean. The seaside is a kind of a Romanian California, mainly because the best vineyards are near the seashore. We have had problems with the good wines in the last 25 centuries. There is a story about an old king who was compelled to cut the vines because the country was drunk and they had to diminish the production of wine—but that happened 22 centuries ago. We have very good land, maybe the best land in Europe. We have potential markets in Russia and the Near East. I think we shall consider ourselves a big producer in agriculture and food in the centuries to come. We have problems because land reform meant spreading the land among 4.5 million owners. They have small parcels and until they bring the land together in co-operative associations or larger land holdings arise from purchases, the efficiency of agriculture will suffer.

But there is one point I want to stress: we are strong in the fields of creation, innovation, and inventions. It is my profession. I am a scientific newspaperman and in my programmes on radio and television I have always had pieces on inventions. There was much secrecy about the Office of Patents and nobody knew exactly what happened in Ceausescu's Romania. It happens that I know. I followed some of the best patents at the Office of Patents and I can tell you that not only Romania but in all ex-socialist countries there are treasures hidden in the safes of these Offices of Patents. Sometimes they're absolutely marvellous inventions and while I don't have samples to show to you I can tell you about a material. It is something made of scraps—sawdust, leaves, sunflowers, corn, everything mixed up together, mixed up to together in a powder. There are different phases of pressure and temperature the material goes through and finally we get a wood, an artificial wood, but, after 20 days of drying, the wood is so hard that we can use this material for building homes. The inventor has 41 patents on this material. It is the most ecological material that has ever been invented. There are a lot of people around him now trying to buy the licence. You can shape this material; you can mould it into the shape you choose. It is a kind of miracle and I'm very proud to say that maybe the construction industry or the furniture industry of the future will have to be changed because of this material.

Well I think we shall have a small confrontation—Romania and Canada. And that is going to happen next week at the World Cup in rugby in South Africa, where Canada and Romania are together in the same series. Our teams are both with South Africa and Australia, which I have to say neither Canada nor Romania will be able to beat in rugby. So the confrontation will be for the third place and fourth place and we shall see if the Canadians will beat the Romanians or if it will be otherwise but it will be, I can assure you, a peaceful war. I came to London with the Romanian team, big guys like that; I am confident they'll manage.

Since the 20 minutes you gave me are over, I can give you a lot of figures about our agriculture and what we can offer for any joint venture that would care to come to Romania. Our consul knows this very well. Industries have started making their calculations and as for tourists there will always be open doors. Maybe the most important thing for us is to build roads and railroads. We are behind the countries around us and we have to compete to get the $10 billion we need to make a new infrastructure. How we shall do that I yet do not know. Nobody in the government would really know that. I can tell you only one thing. Up to now we have no lines of credit from anywhere, whereas Poland has $40 billion and Hungary has an external debt of more than $20 billion. Romania hasn't got one dollar. What we have done in the last five and a half years we have done by ourselves. We are a bit better than we were before the Revolution. Signs are that things will change but we still have to support ourselves by ourselves and to try to make our way to the next century, maybe finding new things, new products, new inventions. Everything has to be new to be able to compete.

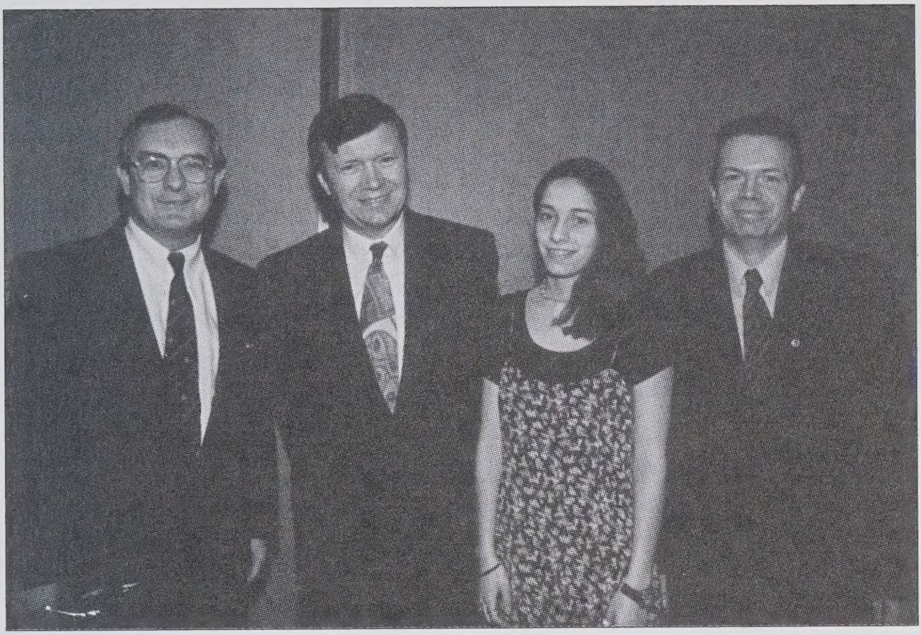
Maybe the fall of the Berlin Wall was not the most important event of the past years, not the fall of the

Communists, but the extraordinary ascension of the simple man that I feel anywhere I go in my country. It is fulfillment; it is the possibility that we shall have finally a better place in the world.

Finally ladies and gentlemen, I think that what we have achieved in Romania was an extraordinary achievement—something you wouldn't even think about. We survived! I think it is very important because we survived with our culture, with our traditions, with our know-how. We have our place where we shall invite you any time you care to come and you will see a beautiful country.

Thank you very much ladies and gentlemen.

The appreciation of the meeting was expressed by Bill Whittaker, Q.C., Partner, Lette, Whittaker and Honorary Director, The Empire Club of Canada.



David Edmison, President of The Empire Club chats with guest speaker, Alexandru Mironov and Marta Chisu, student and member of the Romanian national figure skating team and her father, Corneliu Chisu, Vice-Chairman, Canada-Romania Business Council and friend of guest speaker.

Head table guests, Paul Barnicke, Bill Whittaker and Gillian Platt.

May 25, 1995

Sir John Templeton

Founder, Templeton Mutual Funds

THE ACCELERATING PACE OF PROGRESS

Chairman: **David A. Edmison**
President, The Empire Club of Canada

Head Table Guests

Mary R. Byers, author and Director, The Empire Club of Canada; Tom Harper, syndicated columnist and best selling author of religious books; Neil Jacoby, President, Shell Canada Pension Fund Management Inc.; Jim Gallagher, Executive Vice-President, Toronto Stock Exchange; Eric L. R. Jackman, Ph.D., President, Invicta Investments Incorp. and a Past President, The Empire Club of Canada; Charles B. Johnson, President and CEO, The Franklin Templeton Group, San Mateo, California; Robert B. Schultz, Chairman and CEO, Midland Walwyn Capital; Bruce S. MacGowan, Chairman, Templeton Management Limited and Secretary and Treasurer, Templeton Growth Fund, Ltd.; Diana Chant, Partner, Price Waterhouse and Treasurer, The Empire Club of Canada; Robert Bertram, Senior Vice-President, Investments, Ontario Teachers Pension Plan Board; Prof. Jean Marc Laport, President, Toronto School of Theology; Ed Waitzer, Chairman, Ontario Securities Commission; Donald F. Reed, President and CEO, Templeton Management Limited, Toronto, Ontario and Chairman of the Portfolio Management Committee of Templeton Worldwide, Inc.;

and K. Michael Edwards, President and COO, Richardson Greenshields of Canada Ltd.

Introduction by David Edmison

In his book "The Crowd" written in 1895, French author and social scientist, Gustave Lebon, talked about the behaviour of crowds. He based his studies on the experience of the French Revolution.

Lebon points out the differences between individual behaviour and crowd behaviour. As a crowd, individuals form a collective mind and their behaviour can be quite, quite different from what each individual themselves would do. Crowd psychology is usually characterised by reaction, rather than thinking.

The stock market, to a large extent, is governed by crowd psychology and sentiment. This, of course, means price movements can be, and often are, irrational. At these times sound, objective investment expertise is crucial.

Euripides wrote many years ago: "Along with success, comes a reputation for wisdom." Today there are many intelligent investment managers but there are only a few wise managers. Our guest is such a man. He has a reputation of moving against "the crowd." Perhaps living 1,000 miles away from the clamour of Wall Street on a quiet island may explain this. In his over 50 years of business experience Sir John Templeton has displayed that unique ability to see value and opportunity, where others do not.

As an example, 16 years ago The Empire Club hosted a lunch and our guest was John Templeton. At that time there was a considerable degree of uncertainty in the financial markets. The Federal Reserve Board Chairman, Paul Volker, had recently returned from a meeting with the I.M.F. and was adopting a restrictive monetary stance. Inflation was the number-one enemy and interest rates were on the rise. Stock prices were very volatile and had been under some recent pressure. The crowd sentiment was decidedly bearish.

Our guest did what few would contemplate. He forecast where he expected stock prices to go within eight years. He stated: "There's a better-than-even chance that within eight years New York stock prices will quadruple." Now I think we can appreciate that, irrespective of the time it was given, this was a bold forecast.

Well, eight years later the Standard and Poors Industrial averages experienced a total return of almost 450 per cent, more than quadruple their levels of November 1979. It is this type of prescience that has earned our guest the reputation as one of the world's pre-eminent investors. Now, I say world because John

Templeton was one of the first investors to look beyond traditional borders. This, of course, is reflected in the performance of the Templeton Growth Fund. Anyone fortunate enough to have invested $10,000 in the fund in 1954 would have assets today, including dividends reinvested, worth over $3,000,000.

Throughout his distinguished career, Sir John has exhibited unbridled optimism and faith. This faith has extended beyond his business pursuits. In fact he has long maintained that spirituality, not economics, has been the single most important aspect of his life. As a testament to this belief he established, in 1972, the Templeton prize for progress in religion to recognise spiritual values in people. The first person to receive this award, which is presented each year by His Royal Highness Prince Philip, was Mother Theresa. This award is the world's largest prize for progress in religion. Sir John has been described as a money manager with a heart of gold.

Ladies and gentlemen, I ask you to warmly welcome our special guest, Sir John Templeton.

John Templeton

As your president mentioned, I addressed The Empire Club of Canada on a previous occasion. At that time, 16 years ago, my topic for you was investing, and economic and investment prospects. I could perhaps say more about investing, but today I wish to discuss something we easily lose sight of—the accelerating rate of progress.

We worry too much. Most of us spend so much of our time mired in our daily problems that we become blind to the awesome transformation that is taking place around us. Today I ask you to step back a bit and put into perspective the magnitude of change that we are so fortunate to be experiencing. We can see these changes in five aspects.

The first aspect of change is economic.

We live in a period of prosperity never seen before in history. In Canada, Gross Domestic Product today is 63 times what it was just 50 years ago. The average weekly wage has increased in real terms by 85 per cent. When I was born, the uniform wage of an unskilled man was only 10 cents an hour. Today, the average factory worker in

Canada earns more than 100 times that. Even after adjusting for inflation, the increase is still 10 times.

Not only do we earn more, but also our quality of life has increased. In just my lifetime, real consumption per person worldwide has more than quadrupled. It is the first time that such quadrupling in the standard of living has occurred in the span of a single person's life.

In the last 50 years, real goods consumption per capita has more than doubled. We all have conveniences that the richest, most powerful emperors and potentates of the past never enjoyed, let alone imagined.

Recent work by a Yale University economist suggests that researchers, at least in the United States, have understated real wage growth by failing to account for qualitative improvements in goods and services. Adjusting for quality improvement means that the standard of living in America may have increased by a factor of 75 times since 1800! Even conventional measures suggest it has increased by 13 times, still a tremendous amount.

Though Canada did not exist as a nation in 1800, its economic growth has closely paralleled America's—especially in the 50 years since the end of the Second World War. Now, of course, Canada is one of the world's most productive industrial economies, with a standard of living among the very highest.

Today, in the quality of life Canada ranks first in the world. The United Nations Development Program has measured such things as life expectancy, educational attainment and basic purchasing power of the people in 173 countries. On the agency's scale of the quality of life, Canada placed first with a score of 93 per cent in last year's survey.

In the past 25 years, Canada has created more than five million new jobs, a remarkable achievement compared to the U.S. increase of 25 million in the same period.

Looking around the world, the growth that has taken place in just this century has been equally impressive. Today, people worldwide consume 20 per cent more food per person than just 50 years ago. In low-income countries 25 years ago, people on average were fed 80 per cent of what the World Bank considered the necessary daily requirement. Today, even the lower-income countries exceed 100 per cent of that requirement.

People benefit from buying more than 100 times as much energy as they did a century earlier. One of the reasons for Canada's fast economic growth has been the availability of cheap electric power beginning early in this century, and the development of the petroleum industry in the past 50 years.

Sports are an indicator of improved quality of life. It's estimated the number of people playing sports has increased 10 times in just the last century. We have time away from work for leisure activities. Few people had such leisure time a century ago, or could afford the expense of participating in sports.

If you look further back to 1776, when Adam Smith published his great book, "An Inquiry Into the Nature and Causes of the Wealth of Nations," you will see that 85 per cent of the world's population had to work in agriculture just to produce enough food. Today in North America, less than four per cent work on farms, and they produce great surpluses. Dire predictions that farming output would be unable to meet the food needs of a rapidly expanding population failed to account for the incredible productivity gains that have occurred. Just in the last 30 years, improvements in farming methods, crop varieties, pesticides and fertilisers have helped triple agricultural production per acre.

Since the time of Adam Smith's writing, the yearly production of goods and services has increased 100-fold. In fact, more than half the goods produced in history have been produced in the past 200 years. Before Adam Smith, there were fewer than 1,000 corporations on earth. Today, corporations are being created at the rate of 4,000 every business day.

Underlying this growth is the increasing acceptance of the importance of free trade and enterprise within and among nations. The trend toward greater free-market economies accelerated in the 1980s as the number of privatisations of corporations began to outpace nationalisations. Privatisations to the public of state-owned enterprises around the world have soared, increasing by a factor of 30 just since 1985 because the failures of socialism have grown more blatant and unbearable. And of course we have examples of privatisation in Canada, with such state organisations as Air Canada, Petro-Canada and perhaps next, Canadian National, becoming owned by the public.

Global restructuring is expected to bring four billion new people into the free-market system, four times the number who lived in free markets just a decade ago. People around the world are beginning to experience more freedom as well. According to a study by Freedom House, 1990 was the first year ever when there were more free countries than not-free countries. It was also the first time there were more people living in freedom than those still under repressive regimes.

This trend toward greater capitalism and freedom unleashes tremendous potential for efficiency gains and even greater wealth potential. So does the shift away from regulation and isolation toward free trade. World exports today in real terms are more than 11 times what they were just 40 years ago. Numerous institutions have arisen to protect the principles that have fostered this dramatic growth and to spread the preconditions necessary to continue free trade throughout the world. Consider this:

Just 50 years ago, there was no General Agreement on Tariffs and Trade, no Organisation for Economic Cooperation and Development, no World Bank, no

International Monetary Fund, no International Bank of Reconstruction and Development, no European Union, no North American Free Trade Agreement, and no World Trade Organization.

New International Monetary Fund revisions indicate that world output is growing faster than we had realised—more than 20 per cent faster, in fact. Standards of living in some of the developing countries are rising eight per cent yearly on average. This means that the standard of living can double each nine years.

As income levels rise, so will consumer spending, creating new opportunities not only for local businesses but also for companies in the industrialised countries. They will find massive new marketplaces opening up for their products. In India, for example, the middle class is estimated to be almost equal in size to the entire population of the U.S., and is growing by 20 per cent per year. One corporation in India now has more shareholders than the total number of Americans who own any shares!

The second aspect of change is medical.

Remarkable advances have been witnessed in science in all areas and all around the world. Take the field of medicine, for example. Death from tuberculosis, typhoid fever, diphtheria, syphilis, pneumonia and diabetes is now only a tiny fraction of what it was 50 years ago. Miscarriages have been cut by half. So has the number of infants that die in the first year of life.

Even in areas where we still face significant challenges we should be encouraged by the progress that has been made. Back in the 1930s, the five-year survival rate for cancer patients was just 20 per cent. Today, it is better than 50 per cent. Recent work in new areas of medical science, such as biotechnology, gives hope for developing treatment for such afflictions as multiple sclerosis, arthritis and AIDS.

Health care is much better. Over the last 50 years, the number of physicians practising in Canada has quadrupled.

Records kept by a university show students now average 10 inches taller than they did 200 years ago, probably because of better health and nutrition. It is estimated that 65 per cent of all people who ever lived beyond age 65 are alive today. In the industrialised world, the number of people who live to over 100 has doubled every decade since 1950. What's more, life expectancy has doubled in the past 200 years in the U.S., and possibly through the industrialised world. Never before in world history have 20 years gone by when such a small fraction of the world's population has died of starvation.

Many say that 50 per cent of all that is known in medicine has been discovered the last 15 years, and 90 per cent in the present century. When we realise that more than half of all research scientists who ever lived are alive today, we can see that this incredible pace of advancement is likely to continue into the future.

The third aspect of change is technological.

An area that has seen unparalleled growth is technology and communications. Today, eight times as much is spent on electronic equipment as was just 25 years ago. This includes video and audio equipment, as well as personal computers.

In the last 40 years, the number of telephones in use in Canada has tripled. And 40 years ago, Canada already had one of the best telephone systems in the world. There is now a telephone line for almost every two people.

Currently, another great improvement in telephone service is under way. An ordinary copper telephone wire can carry 48 conversations, but new fibre optic lines carry 8,000 conversations. By the end of the century, a single fibre may have 10,000 to 100,000 times the present carrying capacity. That means a single strand of glass fibre may be able to handle all the calls that take place today on the busiest days of the year, such as Mother's Day. Of course, the new technology means it will be possible to have video telephones, and other services that today are still experimental.

Communications firms used to be messengers, but now they are more like builders of super-highways. In the past, communications systems handled messages directly for others. Remember the telegram and cablegram, and the person-to-person long-distance phone call? Now individuals control their own electronic communications. They originate the message and make the connections themselves.

And remember that only 50 years ago there were no photocopiers, no lasers, no microchips, no satellites in space, no fax machines, no E-mail, no bar-code scanners, no Internet, no on-line data services. Today, one quarter of the homes in Canada have a personal computer, a machine that was still new just a decade ago.

But 50 years ago there were also no video cassette recorders. But by 1990 alone, more than 250 million were made. Nor were there cellular phones, now used by more than 20 million people in North America, and many more people worldwide. Think how much each of these devices has transformed the way we are able to connect and work with one another.

As amazing as these inventions are, it is even more amazing how quickly they become obsolete. Take the cellular phone: it is already changing to digital technology. This will permit cellular phones to transmit data in many forms, as well as conversations. Take the microchip: it is estimated that every 18 months the power of the computer microprocessor doubles! That means computers a few years from now may be 70 times as powerful.

Just in my lifetime, five times as many books are published yearly, more each month than in the entire historical period before John Cabot and Jacques Cartier voyaged across the Atlantic to explore Canada. More than half the books ever written were written in the past 50 years.

In 50 years, travel has become easier and faster and more comfortable, with better highways and better aircraft. During the 1980s, the number of Canadians travelling abroad doubled. That excludes visits of more than a day to the U.S., which increased more than 50 per cent.

As communications and travel have grown, so have new ideas and inventions. Three times more patents are filed for new inventions than were filed just 50 years ago. More than 25 times as much is spent on research and development. There are four times as many scientists and engineers in the world. More than half of all discoveries in natural science have been made during this century. In the United States alone, more than $120 billion is spent annually on research and development, more than in the entire history of the world before I was born. Worldwide, more than $2 billion is allocated to scientific development each business day.

It took from the time of Christ to the mid-eighteenth century for knowledge to double. It doubled again 150 years later, and then again in only 50 years. Incredibly, in the most recent 30 years, more new information has been produced than in all the previous 5,000 years!

Take mathematics, for instance. It has branched into a multitude of specialties. A pile of perhaps a dozen books would sum up what's known in one special field of higher mathematics. You could fill a stadium with piles of books, each pile representing the essential knowledge of a single branch of mathematics. And few mathematicians would be expert in more than a few of them.

Today, according to author John Naisbitt, the amount of information available is doubling every two and a half years. At that rate, there will be more than 1,000 times as much information available in the next 25 years.

An increasing proportion of the population works in information-related occupations—two-thirds, it's now estimated in the United States. For the past four years, the U.S. has been spending more money on computers and communications than on all other capital equipment combined. The rest of the world, of course, is following this trend.

Progress of this magnitude in such a short time is truly a revolution, one whose astounding implications we have yet to fully understand. Remember that when the telephone was introduced, a British leader said that while it was fine for the United States, it would not be needed in England—which was small and had many messenger boys.

And remember the recommendation made to an American president almost 100 years ago to close the U.S. Patent Office, because everything that could be discovered had been discovered!

I believe one of the most significant implications of this information revolution lies in its seemingly infinite nature. Our economic prosperity is no longer primarily a function of limited natural resources, but is becoming progressively more heavily dependent on the self-perpetuating, limitless body of knowledge. We have traditionally thought of wealth in terms of things like gold or land. Increasingly wealth has become intangible, rooted in knowledge and its application. This bodes well for a continuation and acceleration of the underlying trend toward prosperity that has blessed mankind in this century.

The fourth aspect of change is education.

Two things have happened in education. First is the explosion in both the volume and rate at which information is available. Second is the greater level of prosperity. Combined, they have afforded more and more people the opportunity to learn. A progressively higher level of learning will become an essential part of this continuing transformation. This will enhance the future course of nearly every field of study and every line of work. We need to develop the analytical skills necessary to harness the powers of knowledge that will drive the engine of economic growth in the future.

Despite the negative news we constantly hear about the state of education, astounding progress has been made. The number of students attending university in Canada has increased seven times since 1951. Today, eight out of 10 Canadians have at least a high-school education. Until the First World War, few Canadian children had that opportunity.

When I was born, there were only two graduate schools of business in the world. Today there are more than 600 in North America alone.

The level of education is improving around the globe. In China, the literacy rate has increased from less than 20 per cent in 1950 to more than 60 per cent today. In Indonesia, it has gone from nine per cent in 1930 to also more than 60 per cent today. The same story is being repeated throughout the developing world. The percentage of children enrolled worldwide in secondary education has more than doubled—to more than 65 per cent, just since 1970.

The more we are able to take advantage of the information explosion around us and the more we are able to liberate our minds from routine tasks and to cultivate high degrees of analytical thinking, the greater the prosperity with which we will be rewarded.

The fifth aspect of change is spiritual.

In my lifetime, natural scientists have studied spiritual matters as never before. The Templeton Foundation Prizes for Progress in Religion focus attention on people who are doing new and original thinking in religion. I regard spiritual development as more important than progress in all other fields combined.

It is encouraging that there are multitudes of new organisations working in the field of progress in religion, such as the American Scientific Affiliation, the Christian Medical Society, Christians in Science, the International Academy of Religious Sciences, the Centre for Advanced Study in Religion and Sciences, the Humility Theology Information Centre, and the Centre of Theological Inquiry.

This century has witnessed the formation of the World Council of Churches, the Canadian Council of Churches, the Friends Service Committee, the National Association of Evangelicals, Church World Service, Campus Crusade, Word of Life, Youth for Christ, the Fellowship of Christian Athletes, the Pentecostal World Congress, the Zygon Journal and Christian Businessmen's Fellowship.

In studying the connections of science and religion, more than 40 organisations are now publishing newsletters. Additional spiritual research organisations are being formed almost every year.

We should all work toward having at least one-tenth as much spent on spiritual research as on material research. That would be $200 million each day! I hope eventually this will happen. And if it does, new beneficial concepts can be developed, and spirituality will again be far more important than all other areas of life combined.

The beneficial effects of religion on our attitudes, our motivations, our interactions with people, our goals, our ethics and on our basic well-being can have immeasurable value.

In summary, I offer you these thoughts:

We are truly blessed to have been part of the remarkable progress that has occurred in such a short time. Change is rarely smooth and painless. Disappointments and setbacks will occur along the way. Unfortunately, too often we focus on the negatives and lose sight of the multitude of blessings that surround us, and the limitless potential that exists for the future.

A glimpse back at history is a powerful reminder of how rapidly our world is advancing. Humans become increasingly more healthy, wealthy and wise. The outlook for our future and that of our grandchildren and of their grandchildren is remarkable indeed. All of us should be overwhelmingly grateful to live in this most exciting, prosperous and peaceful time ever in world history.

The appreciation of the meeting was expressed by Eric L. R. Jackman, Ph.D., President, Invicta Investments Incorp. and a Past President, The Empire Club of Canada

Empire Club President David Edmison shares a moment with guest speaker, Sir John Templeton.

Sir John Templeton chats with Bruce McGowan, Chairman of Templeton Management Ltd. and Mary Byers, a Director of The Empire Club.

May 30, 1995

Michael Harris, MPP

Leader, PC Party of Ontario

"THE COMMON SENSE REVOLUTION"

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Maria Roman-Bricknell, Account Supervisor, Fleishman-Hillard Inc. and a Director, The Empire Club of Canada; Lynne Golding, Chairperson, Women in Nomination (WIN) Ontario PC Party and lawyer, Fasken Campbell Godfrey; The Rev. Dr. Douglas Lobb, Senior Minister, Timothy Eaton Memorial Church; Janet Harris; Bill Farlinger, President, William A. Farlinger & Associates; Denise Cole, Public Policy and Political Consultant, McFoy, Cole & Associates and a Director, The Empire Club of Canada; Joseph Sorbara, The Sorbara Group; Linda Leatherdale, Money Editor, The Toronto Sun; and Anthony S. Fell, Chairman and CEO, RBC Dominion Securities.

Introduction by David Edmison

Abraham Lincoln, one of American history's true political heroes, did not in fact win every election with ease during his storied career. He lost a few too. When asked how he felt after one such defeat, he said simply: "I felt like a boy who had stubbed his toe in the dark. He was too old to cry, but it hurt too much to laugh." Perhaps Mike Harris felt much the same way on election night in 1990. With well less than a year under his belt as Conservative leader, he saw his team reduced to third-party status in what became one of the biggest stories in Ontario's political history. After the Liberal era, Ontarians clearly felt it was time for a change and turned to the left, handing the reigns of power to Bob Rae and the NDP in dramatic fashion.

Well, if Mike Harris felt like he'd stubbed his toe—he wasn't limping for long. On the contrary, he's been running hard ever since; running hard to rebuild his party from the ground up. Literally starting from scratch the day after the election, Mike Harris set out to change prevailing public sentiment and began his painstaking process of recovery. In the 1995 campaign, he's put his party back on the map with a pragmatic approach to governing he calls: "The Common Sense Revolution."

Colleagues and critics alike agree that the rebirth of the PC party began with Mr. Harris's election as leader in May of 1990. But his contributions to public life began years earlier. As a teacher and businessman, he served for seven years on the Nipissing Board of Education, four as Chairman, during the 1970s. First elected to the legislature in 1981, he had been appointed Minister of Natural Resources and Minister of Energy by 1985. A northern resident himself, he demonstrated a unique understanding of the sensitive environmental issues facing the province. He made the development of a wetlands policy a priority and created a new community wildlife programme. In Opposition, Mr. Harris has served as Conservative Critic for Housing, Northern Development and Mines as well as Revenue, Labour and Finance.

Born in 1945 in Toronto, he was raised in Callander on the north shore of Lake Nipissing and now resides in nearby North Bay.

In the heat of the current campaign, the PC "Common Sense Revolution" has generated a great deal of support, discussion and debate. In a common sense revolution of our own, we invited Mr. Harris to join us today to tell us more about his plan to cut taxes and spending, create over 700,000 new jobs and balance the budget within the first term.

Ontarians are not often regarded as revolutionaries. Perhaps our most famous was William Lyon Mackenzie, who, in 1837, initiated what he believed would be a revolution in Upper Canada. In an effort to seize political power from the Family Compact, he led his supporters down Yonge Street aiming to overthrow the government. A few shots were fired and the group quickly disintegrated. History has downgraded this "revolution-want-to-be" to "rebellion" status. And "common sense" are words rarely used to describe the event. In the twentieth century, armed insurrection has given way to concrete, published ideas and political leaders who must be accessible and accountable. In these times of increasing voter sophistication, it's just "common sense"! While the issues are different, Mike Harris's dedication to his "revolution" is just as strong in 1995 as Mackenzie's in 1837. But unlike our infamous 19th-century rebel, if Mr. Harris were to lead his supporters down Yonge Street, the line might stretch all the way to Lyn McLeod's riding in Thunder Bay.

Ladies and gentlemen, it is not often that The Empire Club of Canada welcomes to its podium a "revolutionary." It is indeed my pleasure to introduce the leader of the Ontario Progressive Conservative Party and the "Common Sense Revolution." Please welcome Mr. Mike Harris.

Michael Harris

Head table guests, ladies and gentlemen:

It's indeed a great pleasure to be back at The Empire Club. I was here just three months ago on February 22 and I understand you are hosting a series of luncheons for all three party leaders within this week so, Mr. President, I appreciate the opportunity to address the Club today and I thank you for the kind introduction.

Being invited to address The Empire Club once is an honour, but to be asked to address you twice in less than 100 days must be something of a record. I would like to tell you that not much has really happened since the last time we spoke, but I'm sure you know that wouldn't be entirely true. I do know though that one thing has not changed. The message I delivered to you in February of 1995 was the same message that I had in May of 1994, when I launched the "Common Sense Revolution." It was the same message that I had in 1990 when I campaigned for less taxes, for less government spending and more jobs. And now, in the last 10 days of the 1995 election, I stand before you today to deliver the same message again.

You see I found in my travels across Ontario speaking with people, where they live, and where they work, that they want a leader who is committed to change—not a leader who changes their commitments. And there is a big difference, my friends.

When I spoke to your Club in February, I told you about a man from Wawa who told me about his wife and his family and how they had worked harder and harder each and every year for the last number of years. Yet at the end of those years he found himself further behind than he was at the start of the year. He was frustrated that, while he and his family had made sacrifices and cut back, he didn't see the same commitment from government. He asked me a question after I spoke and it's a question I have been asked in different ways all across Ontario. He said, "Mr. Harris, when is government going to do its share?" And when I checked the facts, my friend from Wawa was right. Because of excessive taxation and runaway government spending, the government was the only one that had been getting richer for the past 10 years and he and his family and the average Ontario taxpayer was poorer today in real after-tax dollars than they were 10 years ago. You know, it's no wonder that we don't have consumer confidence and that consumers are not spending in Ontario and in Canada the way they're going to have to to create jobs.

I also told you when I was here in February, that based upon my conversations with the people who pay the taxes and who obey the laws all across this province, that I had set a number of goals for myself and my party in the coming election campaign. I said I wanted a campaign that helps restore the integrity of the system, gives the people of Ontario the quality of debate and dialogue that they deserve in this democratic process, a campaign that respects the underlying strengths of our province and one that offers a positive future for our citizens. Those were the goals I spoke of in February. They are the goals we have followed throughout this election. They are the goals we will continue to follow over the remaining days of this campaign. You see I believe we have a great opportunity to create a new direction for our province. We can create jobs. We can create growth. We can bring back opportunity and hope for Ontario.

Now the next government of this province will face some very large and some very difficult challenges but I am optimistic about the future for Ontario, and indeed about the future of this country. Ontario used to be known as the engine of economic growth in this country. It should be, and it can be again. Ontario has the resources, the people, the infrastructure to be a truly great place to live and to work, with fairness and compassion and the opportunity for prosperity for all. With a clear agenda for change, Ontario can once again lead Canada out of tough times. With a plan to fully balance our provincial budget and create growth and jobs, we'll be in a position to help the federal government and be part of a national solution to our national fiscal and economic challenges, which are very real and very large too.

So now the election is in full swing. Voters are studying our detailed plan and comparing it with the promises of the other two leaders. And I welcome the opportunity today to spell out in more detail exactly what a Harris government will mean for you and for Ontario.

Before that, let me address one of the very important underlying issues in this campaign. That is the issue of trust—an issue I take very seriously. The people of Ontario have grown sceptical of all politicians. Who can blame them? They've been burned so many times over the last 10 years by leaders of all political stripes. We want to tackle this cynicism directly because, if we cannot get beyond this, our system of government decision making will be unable to address the challenges that our province faces. That's why we published our plan a full year ahead of the election so people could read it for themselves. They could check the numbers. They could do the math and they could weigh the alternatives. I've also said that if I fail to deliver my commitments as premier, I will resign. You see I am not simply in this election to win. I am seeking a mandate to implement the changes in our plan.

We've taken a number of steps as well to bring back the voter to our political process. We will introduce balanced-budget legislation with teeth, including cuts to cabinet salaries if spending exceeds targets. We are committed to legislation which will require binding referenda or a full general election before government can ever again raise taxes in the province of Ontario. And I want the people of Ontario and every single one of you here in this room today to know one thing about Mike Harris. I am deeply committed to this plan. I'm so committed to this plan that I am willing to do what no other politician in this province has ever been willing to do—to put my salary and put my career on the line.

Now over the course of the last several weeks my opponents have started to attack me. They have distorted my plan. They have exaggerated. In February I told you we needed a vigorous debate of the issues and I welcome a vigorous debate. In that speech I said that if Bob Rae and Lyn McLeod were prepared to address issues squarely it would be a campaign that respects the intelligence of the voter. Lyn McLeod calls me wacky and considers that a vigorous debate. I think the voters deserve much better than that and today I would like to correct some of the distortions from my opponents and once again invite the voters to compare the plans and see the difference.

I believe I can summarise our plan in the form of a simple equation. That equation is two plus four equals six. Two billion dollars is for deficit elimination. Four billion dollars is for job-creating tax cuts and it requires $6 billion in government-spending cuts. First let me talk about the two. That's the amount of savings in our plan each and every year that we will use to kick-start the deficit reduction plan. We are the only party to put $2 billion of spending cuts directly towards deficit reduction. The others rely entirely on growth in revenues. Cutting government spending and encouraging economic growth along with $2 billion every year going to deficit reduction will result in a balanced budget within the first term of a Harris government.

Now since I launched my plan over a year ago, seven provinces have gone on to fully balance their budgets. Ralph Klein in Alberta led the way. Premier McKenna in New Brunswick, then Saskatchewan, British Columbia, and Premier Filmon in Manitoba. Even Newfoundland has a fully-balanced budget today. And I say to you: "Newfoundland's budget—fully balanced; Ontario—mired in debt." Can you imagine the Ontario jokes they're telling in Newfoundland today as I speak? You know Ontario's premier, as the head of the largest economy, the most populace province in the country, must be able to go to the First Ministers' table with a solid plan to balance our budget and to create the growth and the opportunity required so that Ontario cannot only solve its own problems but can contribute to the national prosperity. Ontario should be helping to lead Canada out of recessions, not drag her down.

Now let me get back to my equation. Two plus four equals six. We're the only party to take $2 billion and apply it each and every year to the deficit. Now let me talk about the four. That's the approximate size of the income-tax cut that we propose, spread over three years—half in the first year, another quarter in the second year, another quarter in the third year. This income-tax cut, when fully implemented, will leave almost $2,000 a year in the hands of the average family. That's about $170 a month to save, to invest or to spend as you see fit. If it's a new house or renovations to a house, that's jobs in the construction industry, jobs in the planning industry, jobs in the lumber industry up in Northern Ontario. If it's a new car, that's jobs in the retail industry and the auto industry and the auto parts industry, jobs in the steel industry, jobs in Inco in Sudbury. If that money is saved, the savings will be available then to our entrepreneurs and our small businesses to borrow, invest and create more jobs. It will be a job-creating tax cut. You see I believe how Ontarians save, spend and invest their money will create far more jobs than can any bureaucrat or any politician at Queen's Park. Now where does the number four come from? Well it comes from Bob Rae, because that's exactly how much Bob Rae raised tax rates during his time as premier. In his first budget he raised taxes the equivalent of $2 billion. In his second budget he raised taxes $1 billion. In his third budget he raised taxes another $1 billion. Friends, our plan will undo the damage of Bob Rae's relentless tax increases. We will cut taxes $2 billion in our first budget. We'll cut taxes $1 billion in our second budget and we will cut $1 billion more in our third budget. That will put our tax rates back at the 1990 level—when we had more people working, when we had more jobs, when revenue to the province of Ontario was actually higher than it was after Bob Rae's tax hikes. This tax-cut plan will kick-start the economy. It will create consumer demand. This consumer confidence will bring back hope and opportunity to a province that has been starved for jobs for far too long.

Now over the weekend, Bob Rae tried to suggest this cut in the provincial income-tax rate would only benefit one small group in society. He is wrong. That is part of the fear-mongering campaign. Of the $4 billion our tax cut gives back to the hard-working taxpayers, 65 per cent goes to families at or below the average Ontario income. Fully 77 per cent of the tax cut goes to those income earners at $75,000 or less.

I've talked about the $2 billion in annual deficit reduction and my party is the only party to dedicate dollars straight to the reduction of the deficit. I've talked about the $4 billion in income tax cuts. Now how do we pay for this? Well, keeping with our equation, that two plus four equals six, we must find $6 billion of spending savings. And that number is precisely how much government spending that we propose to cut in our plan. It is about 11 cents on every dollar that the government spends today. I know that we can find and we can cut 11 cents of waste, of mismanagement, of unnecessary spending in every dollar of the current $56-billion Ontario budget. Spending has mushroomed over the past 10 years, far in excess of the rate of inflation from just over $25 billion, just 10 years ago, to $56 billion today. So Ontarians know that we can find 11 cents of waste in every dollar that the government spends. And in our plan put out over a year ago we spell out what we will cut and what we will not cut.

We explicitly protect Ontario's funding priorities. These are the things that, as I travelled this province, people told me were their number-one priorities—health care, education in the classroom, law and order and law enforcement. They said to us: "Do those three things well as a government before you try to be all things to all people." Now again Bob Rae in this election campaign is trying to scare people. He knows our plan does not cut one penny from the health-care budget, but he is trying to scare people into thinking that it will. It's not true. We are committed to reinvesting any savings found in the health-care system right back into the health-care system. And we're the only party to make that commitment—savings such as the elimination of health-card fraud and finding operating efficiencies in our medical system. Every penny reinvested back into the health-care system.

Now to fully fund the areas that Ontarians have identified as their priorities, we do make large cuts in other non-priority areas. This is where we go on the record unlike other parties. And we did so a year ago. Our welfare reform plan, which includes mandatory work for welfare, will generate a net saving to taxpayers of about $2 billion by reducing caseloads, getting people back to work, setting benefits at more reasonable levels, toughening eligibility criteria, and cracking down on fraud, on abuse and mismanagement. Our 15-per-cent reduction in the direct civil service, a cut of 13,000 positions, combined with our plans to restructure the way government works will save $1.4 billion over three years. Our education reforms will include a tough core curriculum, standardised testing, a four-year secondary school programme as every other province and most countries in the world have, and a reduction in funding for the educrats who have been taking money out of the classroom and spending it on themselves. These reforms will save more than $1.1 billion out of the $17 billion currently spent on elementary, secondary, college and university education in Ontario.

There is much more in our plan. An end to corporate welfare will save us $200 million in grants, subsidies and handouts to business. An end to the government housing boondoggle will save us $250 million. Our restructured capital budget will save $300 million. Our overall programme review, similar to that being conducted by Paul Martin in Ottawa, will save an additional $500 million.

The total savings add up to $6 billion. It's all in the plan and I encourage you to read it for yourself. I know it sounds like a lot of detail. The best way to explain our plan is to go back to the simple formula—$2 billion plus $4 billion equals $6 billion—and that's how we can cut taxes and balance Ontario's budget, two top priorities of Ontarians today.

Now my opponents say that what we propose can't be done. My opponents say our plan doesn't add up and I know economics can be difficult but this is arithmetic—two plus four equals six. I can understand why Mrs. McLeod might try and confuse the issue, but the details are all in our plan. Now I said I welcomed a vigorous debate on the issues. In her own little red book Mrs. McLeod makes 143 promises. The net result is that her plan using her numbers commits to spending more than even Bob Rae promises to spend in each of the next three years. We used the same Dominion Bond-Rating Service (This is the agency that rates Ontario's finances.) assumptions that we put our plan to and subjected Mrs. McLeod's plan to those assumptions. The McLeod plan does not balance the budget in seven years if ever. In fact, the McLeod plan, spending more even than Bob Rae, would see deficits in excess of $10 billion for each of the next three years. Our plan offers real change—on taxes to create jobs, on mandatory workfare, on an end to unfair job-hiring quotas and on real spending cuts that will fully balance Ontario's budget.

On June 8, Ontarians will have an opportunity to select the premier that they trust to bring about the kinds of changes that Ontario needs to get back on top. It will be the most important choice I believe that we will make in a generation. We can fully balance Ontario's budget within our first mandate by generating new growth and economic activity and by taking $2 billion a year and applying it every year to the deficit. We can cut taxes and create jobs by cutting income taxes by $4 billion, undoing Bob Rae's tax damage. And we can achieve both these goals if we have the political courage to cut $6 billion—11 cents on the dollar in wasteful government spending. To save $6 billion Ontario needs a leader who will tell them in advance what will be cut. I've done that. To save $6 billion, Ontario needs a premier willing to say "no" to the demands of the bureaucrats and of the special interests. I will do that. To save $6 billion Ontario needs a premier who knows what the priorities are for the people of this province. I know what those are because you have told me over the last four years. Balance the budget, cut taxes, cut waste in government spending, protect health care, put funding back into the classroom and bring back law and order to our province and our neighbourhoods. Most importantly, give us a climate where the private sector can create jobs in our province again.

The simple arithmetic of two plus four equals six means that we can do all that if we work together. To implement this plan we need leadership that takes ownership of our own problems here and is honest about the solutions. If we get our budget in order, and if we get our economy moving again Ontario will be able to be part of the national solution and we can do this if we roll up our sleeves and get started now. Together we can ensure that for you and for me, for those who are unemployed, for those who are currently on welfare, for our children and indeed for our grandchildren, we can ensure that Ontario's best days are still ahead of us.

Thank you very much.

The appreciation of the meeting was expressed by Denise Cole, Public Policy and Political Consultant, McFoy, Cole & Associates and a Director, The Empire Club of Canada.

Rev. Dr. Douglas Lobb with Janet and Mike Harris.

May 31, 1995

Lyn McLeod

Leader of the Opposition in Ontario

A VISION FOR ONTARIO

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Ben Hutzel, Partner, Bennett Jones Verchere; Lisa DeWilde, President, TMN—The Movie Network/MOVIEPIKS; David Smith, Vice-Chair, Coopers Lybrand Canada; The Rev Tom Little, Rector, St. David's Anglican Church, Weston; Gerry Schwartz, President, Chairman and CEO, Onyx Corporation; Heather Reisman, President, Now Foods; John A. Campion, Partner, Fasken Campbell Godfrey and Immediate Past President, The Empire Club of Canada; Annamarie Castrilli, Former Chair, Board of Governors, University of Toronto and Liberal candidate, Downsview; Philip Olsson, Vice-President, RBC Dominion Securities Inc.; Henry Pankratz, Deputy Chair, Ernst & Young; Warren Jestin, Senior Vice-President and Chief Economist, Scotiabank; Sharon Paul, Executive Vice-President, Public Affairs, Labatt Breweries of Canada; and Spencer Lanthier, Chairman and CEO, KPMG Peat Marwick Thorne.

Introduction by David Edmison

I remember watching the Ontario election returns that dramatic evening in 1990 as the NDP swept to power with a level of support that surprised even Bob Rae. As I recall that night what specially sticks out in my mind are the words of the television commentator as he tried to come to terms with the historic events unfolding minute by minute.

Just as he was breaking to do a commercial, (after all, even the reporting of history in the making still requires funding) he summarised the results to the moment in one brief but compelling sentence. He said: "Don't go away, folks, it's the NDP in a landslide!" and it wasn't just what he said as how he said it. He was genuinely excited, not necessarily because he was an NDP supporter, but because he was a journalist, reporting one of the biggest political stories in Ontario's history.

Well something else happened that night in the riding of Fort William. In the face of the NDP triumph, our special guest retained her seat for the Liberals and quietly and patiently began the task of rebuilding. Within two years Lyn McLeod had captured her party's leadership—an impressive achievement considering her relatively short five-year tenure as an MPP. Under her leadership the party's finances are in the black and there are plans to do the same for the province, if elected, with a formal commitment to a balanced budget within four years.

In 1987 as a rookie MPP entering the House for the first time, Lyn McLeod may not have envisioned her rapid rise to the Liberal leadership, but she was immediately appointed Minister of Colleges and Universities. In this important capacity she initiated a major review of the college system and expanded the educational opportunities for people living in Northern communities. In 1989 Mrs. McLeod was appointed to two challenging portfolios—Minister of Natural Resources and Minister of Energy. In these roles, she effectively addressed some difficult issues including the Temagami conflict, the development of the Rouge River Park and a formal review of Ontario's energy needs for the next 25 years.

Mrs. McLeod has visited nearly every one of Ontario's 130 riding associations during the past year and believes the solution to our most pressing problems lies in the resources of our local communities, not in making arbitrary decisions at Queen's Park. As leader of the opposition, she and her party have focussed on the development of an economic environment that can lead to job creation in the private sector. Her balanced-budget plan includes both government spending cuts exceeding $4 billion over four years and protection of health care and education.

Charlotte Whitten, the first woman to serve as mayor of a Canadian city once wrote: "Whatever women do, they must do twice as well as men to be thought half as good." She went on to say, "Luckily, it's not difficult." Well, Lyn McLeod has worked hard for her party and our province and if all is right in her world on June 8, your local T.V. commentator may well break for a commercial with the words: "Don't go away folks, Ontario has just elected its first woman premier!" Ladies and gentlemen, I ask you to please welcome the leader of the Liberal Party of Ontario, Mrs. Lyn McLeod.

Lyn McLeod

Good afternoon, everyone. It's a great pleasure to be with you today. I want to thank The Empire Club for giving me this opportunity to talk about how a Liberal government would expand opportunity, help the private sector to create jobs, and protect vital services such as health care—services that are so important to our province's future.

Elections are about a lot of things. They are about vision. They are about policies. They are about credibility and accountability. But most of all, elections are about choices.

The final week of this campaign is coming down to a choice between two very different visions and two very different plans for Ontario. It is coming down to a choice between a Liberal plan that wants to ensure opportunity and that adds up, and a radical Conservative revolution that has no credibility, and would primarily benefit the wealthy. It is coming down to a choice between a balanced approach that builds on Ontarians' hopes for the future, and a radical Conservative revolution that plays on people's fears.

There is no doubt that there is a lot of anger and frustration in this province. After more than a year of listening to Bob Rae and the NDP talk about how the economy is recovering, Ontarians are only too aware that there are still half a million people out of work. After more than a year of listening to Bob Rae and the NDP talk about how their plan is working, Ontarians are only too aware that there are still near-record numbers of families who have to rely on welfare or unemployment insurance or food banks. After nearly five years of hearing about partnership and accountability, Ontarians still see government as something that is remote—something that is not accountable and does not work for them.

Three years ago, when I won the leadership of the Ontario Liberal Party, I made a pledge that when the election came, we would put before the public a detailed plan of what we intended to do if we formed a government. And that is exactly what we have done. Our plan isn't something that we cobbled together in the heat of an election campaign. It isn't a bunch of quick fixes, slogans or simplistic solutions. It is well planned. It spells out every commitment. It details all of the costs and how they will be paid for. All the policies are there for people to evaluate. All of the dollar figures are there for people to evaluate. All of the dollar figures are there for people to add up. All of the timelines are there for people to measure us against.

If I could sum up our plan in one word, that word would be balance—a balance that blends fiscal sanity with human compassion, a balance that gets our financial house in order while protecting vital services, a balance that starts tearing down the tax wall, without tearing away our economic future at the same time and a balance that is good for Ontario.

Our focus is creating jobs. Jobs are where opportunity begins. Our plan will encourage businesses to come here, to grow here, to stay here and to create jobs here. We will balance the budget in four years. We will do it by cutting $4.1 billion in spending. Financial accountability starts at the top. That is why a Liberal government will cut spending on political staff, political appointments, government advertising and services to MPPs. It's a matter of showing good faith. And we will replace MPP pensions with RRSPs.

Our plan will stimulate activities that create jobs: helping young people to get their first jobs through our Youth Opportunities program, helping businesses to break into new export markets, helping key industries like tourism and culture to continue to grow and create jobs. Our plan includes a modest, five-per-cent tax cut that will help small businesses to grow and create jobs, and give consumers some relief where they need it most—eliminating the five-per-cent tax on car insurance, and providing a tax credit for child care. And because our tax cut is modest, we will be able to guarantee stable funding to schools and hospitals for the next four years.

There are no gaps in our numbers. As I said earlier, the numbers are there for everyone to see—and they add up. There are no $4-billion credibility gaps in the Liberal plan. We are not the only party to present a plan to Ontarians. The Conservatives have presented a plan they call a "revolution." I think that's an appropriate name. It is a revolution. It's a radical departure from economic reality—it won't even try to balance the budget in a first term of government. It's a radical departure from caring and compassion. It's a radical departure from the kind of balance that leads to a strong economy and stable communities. It's a radical departure from common sense.

The Conservative tax cut is built around a massive, 30-per-cent across-the-board cut in personal income taxes. Everything else Mr. Harris promises stands or falls on his ability to deliver that 30-per-cent solution. Balancing the budget and protecting vital services—it's all built around the success of that 30-per-cent income tax cut. The Conservative revolution is like a house of cards, with the bottom card—the most important card, the supporting card—being the 30-per-cent income tax cut. And when that card falls, the entire Conservative revolution comes tumbling down with it. That's where the Conservative revolution falls apart. Ontarians have a right to ask why has no other leader in Canada tried to slash income taxes by 30 per cent, protect services and balance the budget at the same time. Why hasn't even Ralph Klein, the Conservative premier of Alberta, tried it? Does anyone really believe that there is some magic secret that lets you slash income taxes by 30 per cent, protect vital services and still balance the budget? The only person who has discovered it is Mike Harris?

Well, apparently Mr. Harris does have a secret, and that secret is called fudging the numbers. The Conservative revolution has a $4-billion credibility gap—a gap big enough in which to bury a province's economic recovery. And when Ontarians see that $4-billion gap, when they see the same people lining up behind Mike Harris that lined up behind Brian Mulroney, the same people that backed Brian Mulroney and Michael Wilson when they told Canadians time and time again that they were going to balance the budget, they will say, "Tell us how, Mr. Harris."

When Ontarians see that $4-billion credibility gap, they have a right to say, "Come clean, Mr. Harris. Come clean about how you're going to fill that $4-billion gap. Will you cut health care? Tell us now which services you will put on the chopping block. Or will you go back to your old promise to bring in user fees? Will you hike your new health-care tax—the one that put a new burden on middle-income earners while giving s $400-million break to some of the largest and wealthiest corporations?"

It is almost inconceivable that you could leave funds for health care intact, when you have to make up for that $4-billion gap. Under the Conservative revolution, heath care would become a candidate for radical surgery—it just blinds you to everything else. Ontarians are not a revolutionary people. We believe in balance, in moderation, in compassion and in progress. We believe in changing together—not in leaving people behind.

The $4 billion that I talked about earlier isn't the only thing missing from the Conservative revolution. I look at the Conservative revolution and I have to ask, "Where is the humanity? Where is the compassion? Where is the vision—the basic human quality in each of us that allows us to see beyond the problem to the person behind the problem?"

Liberals believe people have to be assured of opportunities and choices. Liberals believe in a sense of optimism that reaches out to people's hopes and goals and tries to build on them, instead of a mean-spiritedness that preys on the people's fears and anxieties and tries to exploit them. I have always believed that when you see anger and frustration, you try to find out the cause and you deal with it. You don't fan those emotions for political gain. But, instead of leadership, I see in the Conservative revolution an obsession with delivering a 30-per-cent income tax cut, an obsession so strong it says, "We don't mind taking away some of the benefits from all Ontarians, because we must deliver a tax cut to the wealthiest Ontarians."

A short while ago, I came across a quote about Ontario, and the danger of revolutions and simplistic solutions. I hope you'll indulge me a moment while I read it. It goes:

"Evolution, rather than revolution, has been a rewarding method of dealing with the challenges we face... It may well be that positions taken in the heat of an election campaign will be found to be undesirable, impracticable, ever intolerable, when viewed in the calm light of more adequate examination."

The author of that statement was Conservative Premier John Robarts. I won't pretend that I know what Premier Robarts would have made of the Conservative revolution, but I do know what a lot of other people are saying about it. I've talked to middle-income earners who ask, "Why am I going to be hit with a new health-care tax so that the Conservative revolution can give a tax break to some of the largest and wealthiest corporations?" I've talked to mums on welfare—women who are ready and eager to do volunteer work or get some training and get out of the welfare rut—and they ask, "Why is it that even if I do everything in my power to improve my situation, Mr. Harris will still slash my benefits while I make the transition to a job?"

Those are all good questions, and we are waiting for Mr. Harris to answer them before election day.

I've also talked to unemployed Ontarians who ask, "Where is the jobs plan in the Conservative revolution?" Mr. Harris's only jobs plan is to throw money into the air in the form of a massive across-the-board income tax cut, and hope it trickles down to create jobs for the unemployed.

Ladies and gentlemen, as I said earlier, this election is about a lot of things. It's about vision and commitments, credibility and accountability. Underlying it all, this election is about values. What do we Ontarians believe is important for our society? I believe, and Liberals believe, in the values I've talked about today—compassion, fairness, and balance. These are the very values that Mike Harris and his Conservative revolution are trying to attack.

Yes, there is a difference.

The Liberal plan focuses on getting Ontario working again and creating jobs. Ontario needs a jobs government. It focuses on creating a climate that will encourage businesses to come here, to grow here, to create jobs here and to stay here. Ontario needs an economic-growth government. And it focuses on protecting vital services like heath care and education—services that are essential to our quality of life. Ontario needs a caring government.

We need a government that doesn't just see problems, but sees the human faces behind those problems—a government that has a capacity to be compassionate even in the midst of trying economic times. We are offering a clear vision of Ontario's future—a vision of a society that offers opportunity, a vision of a society that offers jobs, a vision of a society that values and will protect health care and a vision of a society that offers compassion to those who need it.

That is what the people of this province want. That is what they need. That is what they deserve. And if we are given the privilege on June 8, that is exactly what a Liberal government will provide.

Yes, there is a difference. Thank you very much.

The appreciation of the meeting was expressed by John A. Campion, Partner, Fasken Campbell Godfrey and Immediate Past President, The Empire Club of Canada.

Lyn McLeod, Leader of the Official Opposition in Ontario with John Campion, Past President, The Empire Club, David Wishart, and Empire Club Director Barney Danson.

June 1, 1995

Dr. Robert Muller

Chancellor Emeritus of the United Nations Chartered University for Peace in Costa Rica

PLANNING FOR THE NEXT MILLENNIUM

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Peter Aykroyd, milleniad consultant and author of the recent book, "The Anniversary Compulsion"; Bill Staples, President, Toronto Chapter of the United Nations Association of Canada; John Hemmant, District Governor, Rotary International District 7070; Eric McLuhan, Co-Chair, Global Foundation for Understanding; Shirley Farlinger, peace activist and author of the recent book "A Million for Peace"; David Woolfson, Executive Director of the Global Foundation for Understanding; The Rev. John Harries, Minister, Development and Education, Timothy Eaton Memorial Church; Don Toppin, founding Chairman of the Global Foundation for Understanding and Toronto/2000; and The Hon. Walter McLean, Co-Chair of the Ontario Committee for the 50th Anniversary of the United Nations.

Introduction by David Edmison

In October of this year the United Nations will celebrate its 50th anniversary. It is indeed a pleasure to welcome as our guest a man who has been a major force behind the scenes at the U.N. and whose name is synonymous with the international peacekeeping movement, Dr. Robert Muller.

Socrates said around 350 B.C.: "I am not an Athenian or a Greek, but a citizen of the world." These insightful words may not have been fashionable when they were spoken, but they certainly are today. We fly to the moon, take pictures of planets light years away, converse with people 5000 miles away in a car or on the beach, so the idea of viewing ourselves from a global perspective is gaining increasing importance. We are indeed, as Marshall McLuhan said "a global village."

Perhaps the best expression of our global nature is the United Nations, the first successful universal organisation ever conceived. Since its founding 50 years ago mankind has witnessed a noticeable improvement in well-being, due to the work of its many agencies. For example, thanks to the World Health Organization, eight out of 10 children are being immunised against deadly diseases such as tetanus, diphtheria and measles. These efforts have resulted in saving three million children from death each year and avoiding hundreds of thousands of cases of polio.

As the world's chief referee, the U.N. has had to deal with a multitude of issues ranging from poverty, to the environment, to peacekeeping. Hundreds of conflicts have been resolved by its direct and behind-the-scenes diplomacy. In his book "The Birth of Global Civilization" Dr. Muller describes the U.N. system "as more than anything else, a great international school for nations. There, they see each other collectively, they begin to better understand each other, to take inventory, to detect new emerging global problems, to signal back home global messages and warnings, to manage the planet in common, and progressively develop a philosophy and vision of what human destiny should be on our globe."

Having spent his entire adult life in the service of the United Nations, Dr. Robert Muller is one of the world's foremost global thinkers. A native of Alsace-Lorraine, France, Dr. Muller experienced first hand the vicissitudes of World War Two and when it was over he decided to devote his life to maintaining peace.

Dr. Muller is trained as a lawyer and economist. In his capacity with the U.N., his responsibilities have included Director of Budget, co-ordinating the 32 agencies in the economic and social council, organising the first Papal visit to the U.N., as well as planning the 40th anniversary 10 years ago. Since his retirement in 1986 Dr. Muller serves as special advisor to the U.S. Secretary-General and as Chancellor to the University for Peace in Costa Rica.

Today, our guest is concentrating his efforts promoting greater human understanding and global awareness. He has devised a global core curriculum which is now being adopted by schools around the world.

Dr. Muller has published over a dozen works dealing with issues of global peace which have been translated into many languages. In 1989 he was awarded the peace education prize by UNESCO and in 1993 the Albert Schweitzer International Prize for the Humanities.

Ladies and gentlemen, please join me in welcoming our most distinguished guest, and citizen of the world, Dr. Robert Muller.

Robert Muller

Thank you for that wonderful introduction. I think my mother would have been pleased if she had been alive and heard it. Maybe she has seen it from heaven and was pleased up there. I am so grateful to Don Toppin and to your city for starting the campaign for the year 2000 some 10 years ago.

Many things have happened. Today a multitude of organisations around this planet are planning for the year 2000 and the next millennium. As Peter Aykroyd wrote in his book, it is an anniversary compulsion.

A few months ago I put together a list of events which humanity is organising for the third millennium and I tried to remember what we did 100 years ago at the end of the nineteenth century. All we did at that time was to have, in 1893, a first world parliament of religions and in 1899, a world peace conference of people in The Hague. There were no international institutions except the universal postal union and the international telegraph union.

Today we have the United Nations which is universal and we have 32 specialised agencies which deal with every subject under the sun. Let me give you a few examples of what the world has been doing so far.

Nineteen hundred and ninety-two: the political European Union came into effect. Last year in October I could cross the border between France and Germany which I used to see from my window and which I hated.

The border controls have disappeared among all Western European countries. The United Nations met at the Security Council at the heads-of-state level after the end of the Cold War and asked the Secretary-General to have an agenda for peace for the twenty-first century starting with prevention. We wouldn't have the Bosnias of today if the United Nations were equipped to prevent conflicts instead of just separating the religions.

At the Rio De Janeiro conference a plan was designed for improving the environment—the air, the water and everything you can imagine—a tremendous agenda for the twenty-first century which is added to the agenda of the Secretary-General in the field of development.

In 1993 a world conference on human rights to look at human rights in the third millennium. The International Year of the World's Indigenous People to listen to the voices of those who have not lost connection with nature. A centennial meeting of the Parliament of Religions in Chicago, 100 years after the first one. Nineteen hundred and ninety-four: the International Year of the Family. The first world telecommunications conference. Third world conference on population in Cairo looking into the population of the world in the third millennium. Fiftieth anniversary of the International Civil Aviation Organization which is located in your country. Seventy-fifth anniversary of the International Labour Organization.

I have about four pages of things like this. Let me just give you a few more.

Nineteen hundred and ninety-five: the fiftieth anniversary of the United Nations which is a tremendous occasion to look at the past and to look into the future. The first World Conference on Women in Beijing where I've just learned that instead of 30,000 women there there will be 50,000 and the government of China will have to accommodate them. The World Social Summit in Copenhagen to find out why the rich are getting richer and the poor are getting poorer. A conference on climate change. The United Nations Year of Tolerance. Fiftieth anniversary of the Food Agricultural Organization. A new commission on how the world should be governed. An international report on education in the twenty-first century. It is just incredible. Next year, in 1996, the fiftieth anniversary of the World Health Organization which was created by a Canadian. I had a bust made of him. I was a very young person after the war when I listened to this man, who wanted to have a world health organisation. Every ministry said: "Why do we need such an organisation?" We then had an epidemic of cholera in the Mediterranean and the World Health Organization was approved. Everything suggested for this planet is at first ridiculed, then it is opposed, and then finally it becomes common sense. And it goes on like this. A world conference on human settlements on the cities etc. etc.

I have pages and pages of what it is being done for the next millennium. In other words, for the first time the human species is in a position, and this is very important for the young people who are here, to know its place in the universe. From the infinitely large to the infinitely small, we have a total inventory of our planet. When I came to the U.N. in 1948 we didn't even know what the world population was. It took us until 1952 to get the first guesstimate of the world population which was at that time two and a half billion people. Today it is 5.6 billion.

Today we have an inventory of everything concerning this planet. We have an inventory of everything that concerns the human family. We have data about the past and more and more data about the future. We have estimates for population in the year 2050. The United Nations and the world's people have become future-oriented. This did not exist in the past. We are in a new phase of human evolution where the human species, as the most advanced species, is now conscious of the universe in which we are living. It is this global consciousness which is the great hope for the future. The young people here don't have to go through what I had to go through. We had no data. We didn't know. Now you'll know everything. In other words the generation of today can become the administrators, the good managers of our planet. From a management point of view we're still in kindergarten. This is very primitive. We only react when we burn our fingers. It's when we have an accident that governments react. I have a colleague at the University for Peace, well known for environmental issues, who said to me: "Rob, I am waiting for a big environmental accident." Why? Because it is the only time they will wake up and react. So from kindergarten we have to go to high school and to the university of managing this planet well. I believe that all these efforts are something new for human history, something new in evolution. We have become the managers and the transformers of this planet. We still think that we are not part of this planet. It is not true. We're all earth. We're returning to the earth. We are now the most advanced species.

When I came out of the Second World War, I was a very pessimistic young man. If anyone had told me that I would stand today at the age of 72, without seeing another world war, I would not have believed it. If France and Germany couldn't agree, how could I think that Russians, Chinese, Black and White, 5,000 religions and 5,000 languages, would ever do it without having an accident and provoking another world war? If anyone had told me that the borders in my home town would disappear, I would not have believed it. If I had been told that the United Nations would still be alive, I would not have believed it. When I started working for the U.N., a British delegate said to me: " Young man what do you come to do here?" I said that I wanted to work for peace because I did not want my children to live the life I lived—in prison, in the Gestapo, fighting and seeing the most horrible atrocities between two highly civilized countries, France and Germany. He said: "Well young man, I pity you because the United Nations will die within five years." It is still here today and it is universal. I would not have believed that the Cold War later on would end. I would not have believed what we know today about our planet and all the communities which have been created and all the world associations working together. In other words the human species is becoming a global body. We have extended our view into the infinitely large with telescopes and into the infinitely small with atomic bubble chambers and microscopes. We have now a nervous system that encompasses the whole world. We have a global brain that comes to conclusions, that can forecast. We have become a totally different species. Our legs are extended, our hands are extended, we're a global human species on this planet which is only beginning to understand that we are the managers of the planet and that we have to be very careful.

We have a lot of errors to correct. We have gone in many, wrong directions. Nobody knew about the environment when I was young. Nobody knew about the population explosion when I was young. It was only in 1980 that climatic change came up. The year 2000 and the third millennium is a fantastic stepping stone in the evolution of the human species. I just learnt that a whole series of other commissions are being created: an independent world commission for the oceans under the President of Portugal; a global commission to fund the United Nations; an interaction committee of heads of states under President Helmut Schmidt; a Ford Foundation Yale University committee on the future of the United Nations; a meeting of all the Peace Prize winners in San Francisco on the occasion of the fiftieth anniversary of the United Nations.

Humanity has never done this in its history so that I have been transformed from a pessimistic young man to a very, very optimistic old man. I'm absolutely sure that the human species will find its way, that we will have as many miracles in the next 50 years, if not more. I would like to have young people try to visualise how the hundredth anniversary of the United Nations will be. What are the things which today we consider impossible, unthinkable, as I believed in 1948 and which have become a reality—like the borders disappearing in Europe? We are a global body; we are all cells of one new global species; we've extended our senses, our brain; we have a global brain.

What we still do not have is a global heart and a global soul. We never speak about love. Who is the head of state who dares to speak about the word "love"? Love is being born too because we are beginning to love nature. We are beginning to love planet earth and I hope that all the businessmen and all the professionals around the world will turn to love. It is not money or profit which are the objectives for which we are put on this planet. You're not going to get your bank accounts when you die and return to earth or to heaven.

Practically every conflict on this planet today is a religious conflict. We have tried through the World Parliament of Religions to work things out and I'm very glad that in San Francisco on the fiftieth anniversary we will probably launch the idea of a united religions where each religion would be represented by international staff as we have in the United Nations.

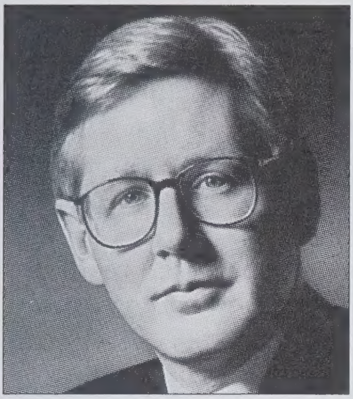
My confidence in the human species has increased. Many things will take time. The population explosion will take about 70 years to reach equilibrium. The environmental correction will take another 50 years or so because once the pendulum goes in a wrong direction corrective measures only slow down the pendulum. The population explosion continues, but at a slower rate. The environmental deterioration also continues, but at a slower rate until we come to equilibrium. What we need is harmony with our mother earth. We need harmony between all human beings. We need harmony with the past. We need harmony with the future. We all live 70 years on average in the western countries and 60 years in the poor countries. We need harmony with the heavens. We are entering a new evolution. It is very exciting. It is very beautiful. We have acquired the capacity to become conscious of the total universe from the infinitely large to the infinitely small and from the infinite past to the infinite future.

I am proud to be alive. I think that to be alive is a miracle—physically, mentally, sentimentally and spiritually. We must consider life as a tremendous privilege and we must pay for the privilege of being alive by working for a good cause, helping to restore the human species on this planet.

Thank you very much.

The appreciation of the meeting was expressed by David Woolfson, Executive Director of the Global Foundation for Understanding.

Dr. Robert Muller with Don Toppin, Chairman, Global Foundation for Understanding and The Hon. Walter McLean, Co-Chair, the Ontario Committee for the 50th anniversary of the United Nations.



June 2, 1995

The Hon. Bob Rae

Premier of Ontario

THE POLITICS OF HOPE AND OPPORTUNITY

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Julie Hannaford, Partner, Borden & Elliot and 1st Vice-President, The Empire Club of Canada; Harry Hynd, District 6 Director, United Steelworkers; The Rev. Kim Beard, Rector, St. Bede and St. Crispin Anglican Churches; Frances Lanken, Minister of Economic Development and Trade and MPP Beaches Woodbine; John Rae, Executive Vice-President, Office of the Chairman, Power Corporation; Bill Laidlaw, Director, Government Relations, Glaxo Canada Inc. and Director, The Empire Club of Canada; Dr. Joseph Wong, family physician and member of the Greater Toronto Area Task Force; Ellen Cole, Director of Communications, Harbourfront; and Andrew Sarlos, Chairman, Andrew Sarlos and Associates.

Introduction by David Edmison

Early in 1948, George Drew sat in Queen's Park as Ontario's 14th premier. His Conservative Party had been elected in 1943 after a nine-year Liberal reign. It is worthy of note that Mr. Drew's term of office marked the beginning of 42 consecutive years of Conservative power in Ontario. Later in 1948, Thomas Kennedy succeeded Drew, becoming our 15th premier. While the Conservatives were changing leaders, an Ottawa couple by the name of Rae were changing diapers. You see, 1948 also saw the birth of our 21st premier.

As Bob Rae grew during the 50s and 60s, so too did the Conservative's hold on government in Ontario. Then, and in fact, even well into the 80s, the boldest political luminaries could not have forecast his unprecedented rise to power in 1990. The NDP and their dynamic leader were swept to office by a province ready for change. In 1995 it remains the biggest political story in Ontario history. Now, in the thick of an election, Mr. Rae and his government face the voters again along with two political parties determined to put 1990 behind them. On June 8, Ontarians will send their message and their party to Queen's Park. And the NDP are looking to make it two in a row.

The recent success of the Ontario NDP party can be traced through the success of its leader. Bob Rae's background is relevant and impressive to say the least. With a B.A. and a law degree from the University of Toronto, he was selected as one of two Rhodes' Scholars from Ontario in 1969. Not surprisingly, he earned a graduate degree in politics from Oxford.

Bob Rae entered public life at the young age of 30, winning the federal riding of Broadview Greenwood in 1978. As Housing and Finance critic he swiftly gained a national profile earning respect on both sides of the house. After a four-year stint in Ottawa, he was elected Leader of the Ontario New Democrats in February, 1982. Later that year it was made official with his victory in the York South by-election.

Sir Wilfrid Laurier, our 8th Prime Minister, once said: "A socialist is a Liberal who runs fast." He made no mention of an undying love for the Blue Jays or a tremendous talent on the piano. Bob Rae certainly has both of these. And yes, he's running too—running for re-election, running with purpose and running to win.

Election campaigns are often marked by promises and euphemisms. Promises by the challengers and euphemisms or kinder, gentler words to describe a problem or a mistake, by the incumbent. Perhaps some politicians could learn a lesson from a young man in the eighteenth century who ingeniously euphemised the death by hanging of his father in order to collect insurance money. He said: "My father was killed at a public event when the platform on which he was standing gave way." Yes, rhetoric will always play a role in our political campaigns despite an increasingly sophisticated electorate. We, the voters, must decide what is rhetoric and what is real. But Bob Rae is campaigning on a platform he's confident will not give way. He's campaigning on his record—a record of unprecedented social reform and dedicated management of the issues.

Ladies and gentlemen, The Empire Club is committed to the presentation of the "premier" speakers of the day. I'm sure you'll agree that our special guest here this afternoon fits the bill in a way that few others could. Please welcome the MPP for York South, Premier Bob Rae.

Bob Rae

Thank you very much. Mr. President. Fellow head table guests, ladies and gentlemen:

Never before in the history of elections in this province have the choices been so clear and the consequences of your vote as important—important not so much for parties or for political leaders or for pundits or for pollsters, although I think it's going be very interesting for all of those people—but important for you and for your family.

The campaigns that have been waged by the opposition leaders are based, I believe, at the end of the day on two ideas which they share.

The first idea is resentment. Mike Harris and Lyn McLeod have both tried to play on the fears of the electorate by alleging quotas when there are none, by attacking the poor rather than poverty itself and by blaming the government for doing its job. Their hope is that they will be elected somehow magically on a wave of bitterness and frustration.

The second idea that they share is an attempt to appeal to selfishness. Mike Harris and Lyn McLeod both promise huge tax cuts, huge spending cuts and austerity measures. They hope to tempt people into forgetting that you can't get something for nothing. When something sounds too good to be true, it always is.

I've taken a very different approach in this election campaign, because I start from a very different premise. I believe that this is a very great province in a great country. There is nowhere in the world where I would rather live, work, raise my children, send them to school, take care of my parents and my family and grow old myself. Our peoples in Ontario have come together, proud of our traditions and our histories and proud of the fact that we are of different races and different backgrounds. We share a common pride in this wonderful community that we are building together. I also believe, and I think its a belief that's shared by all of us, that life can always be better. We can be more productive; we can be more prosperous; we can reduce unemployment further and we can always improve our prospects. We can and we should work to ensure that the poor, the vulnerable, and the neglected in our society share in that common prosperity and opportunity. Life can be better and I believe it will be because Ontarians know how to work at it and fundamentally because we have great confidence—confidence in ourselves, confidence in each other and confidence in the future. In fact, I think an objective observer would say that this progress and this improvement is already underway. Our economy is strong. It remains strong. There are more people working today than last year and far more than the year before. Much of this renewal has occurred because of a new sense of partnership and a willingness to work together in Ontario. Relations between workers and managers are better today than they were 10 years ago—far better—because there is a much greater appreciation of the challenges facing all of us. We understand that companies and governments must work at doing things more efficiently at less cost and at prices that people, not only here but around the world, will be willing to pay. We also understand, and this is equally important, that the values that all people bring to their work—their ideas, their commitment, their desire for dignity, and their desire for security—must be recognised.

I start from the premise that government cannot guarantee that there will be no insecurity in the world. We can't guarantee that individuals will not fall ill and we cannot guarantee that jobs will not change and that companies around the world will not make decisions that will have an impact on all of us. But I also believe that, given the natural insecurity of life itself, the task of government is not to add to that sense of insecurity, but to make people feel more secure—secure in their lives and confident in their sense of the future.

We do this in many ways. Fundamentally we do it, for example in health care, by saying we can't necessarily stop the tragedy of illness from hitting us, but we can ensure that each and every one of us will have access to the best possible health care that can be provided. We do it through our policies on education and training. We do it through respecting equality rights, not running them down or pretending that they're not important. We do it providing opportunity. We do it through a commitment to partnership, through a willingness to work with companies and with the women and with the men who are working in these companies. We do it by encouraging bargaining and co-operation. We do it by recognising that government has a role to play. It's become fashionable in some circles to pretend that somehow government is irrelevant to the future of our lives. But I look around me and I see teachers, doctors, nurses, researchers, pollution inspectors and police officers, all of whom are very much part of the necessary services of government. I must simply tell you this story. There was a woman at the beach with her child and when I talk about my relationship with the business community I'm reminded of this story. A large wave came along and tragically took the child out to sea. A lifeguard comes along and sees the woman quite distraught and says, "Madam, what can I do for you?" She says, "My son is gone out. Please can you get him back?" The lifeguard dives into the water, magically finds the child, brings him back, revives him and proudly hands him to the woman. She looks up to the lifeguard and she says, "He had a hat you know."

During the worst of this recession, I received many calls from senior business leaders. In fact I see some of you in this audience today. I received many calls from mayors and from community leaders. They would come with delegations asking for help for their businesses, for their municipalities and for their communities. We have always responded with creative solutions that would create confidence and a sense of security. I can tell you that our response was very different from the attitudes that are being expressed by the opposition politicians today. We didn't tell the people of Kapuskasing that the answer to their problems was to get government off their back. We didn't tell the investors and the steelworkers of Algoma Steel to go away and wait for the magic of the marketplace to solve their problem. We didn't close our doors to the workers and managers of DeHavilland by saying that cutting more government programmes would create somehow magically an aerospace industry in our midst here in the province of Ontario.

I believe that my view of how one works in partnership, creatively and effectively with the business community, is far more sensible, more rational and more sound than the approach which is being advocated by the leaders of the opposition. I believe it is better for the economy and I would say to each and every one of the business people present here today it's better for you and it's better for your companies and when you do well we all do well.

Partnership is a two-way street. Business needs the help of government and government needs the help of business. The recession left us with far too many people unemployed. We continue to have a tremendous challenge to create new jobs and to make sure that our people have the skills that they need for these new jobs. The government can't do this alone. Public sector make-work programmes like workfare are definitely not the answer, not if you think it through beyond the cliché of the bumper sticker. When you look at it closely, workfare not only isn't fair, it also doesn't work. I find it strange that both my opponents are talking about this approach. Lyn McLeod calls it mandatory opportunity, whatever that means. I think they belong, as I said, on a bumper sticker, but not on the platform of someone who's serious about creating jobs and creating work and creating opportunity. If you think about it, workfare would be bureaucratic, it would be intrusive and it would be expensive and it has been proven time and time again it simply doesn't work.

People say, "Well what would you do Premier?" Look at what we're doing and you can clearly see the direction we need to take together. Through jobsOntario Training we provided the business community with money—to train not simply individuals who are hired, but to improve the training climate and the training environment in the whole workplace. We told them we would give them this if they would hire men and women on social assistance or men and women whose unemployment insurance had run out. At the same time, we said we will agree to provide free employment training, so no one is starting cold. We expanded the number of subsidised childcare spaces, so single women with families would be able to take advantage of the programme. As a result of this, 60,000 women and men are now taking home pay cheques instead of unemployment and welfare cheques and we have saved the welfare system $420 million. That's a rational, sensible approach. In addition there are now tens of thousands of people who are on social assistance, who are adding to their income through part-time work and there are tens of thousands more who are improving their job opportunities by taking college and university courses.

We've also improved support for people getting them back to work through programmes like the Trillium Drug Plan, the increase in the minimum wage, the elimination of provincial income tax for over 200,000 low-paid employees, the payroll tax, holiday pay for new employees and improved enforcement for support payments. We've also been dealing with the question of abuse of welfare and fraud. Where there is fraud it should not be accepted but do not use the issue of fraud to punish everyone who's on social assistance. Our programme is in place and it is working. The key to welfare reform is not to penalise the children, not to penalise the people with disabilities, the ill, the elderly and the people who depend on social assistance for the necessities of life. The key to the issue of welfare and social assistance is work—job creation—and to create jobs we need partnerships with the private sector. We need better childcare. We need better training. We need more support for lower-paid workers and we need more support for the employers who are giving hope and opportunity to lower-paid people. We need to improve financial support for children in poverty, not penalise children in poverty. We want the support of the federal government as we work on this. Poor children in Ontario should receive the same level of support from their national government as children do in other areas. This is not true right now. It can change and with strong leadership we can change it. We need to encourage and help working parents stay on the job. We need to make sure that there are no incentives to stay on assistance when work is available and we need to keep helping small businesses because they're the ones who are creating most of the work.

When you look at the McLeod-Harris proposals, what they're threatening—and for the moment it is just an idle threat because they haven't won yet—is a government that will create a new forced labour pool of over 200,000 people. It's a totally impractical idea when you really think it through. People who will be required to work at less than living wage, at jobs that apparently aren't there unless the government invents them. Literally we will be paying people to dig a hole and then paying them to fill it in again. And paying them at less than the minimum wage. This will be government at its worst. Again when you think it through it would be bureaucratic, it would be intrusive, it would be officious, it would be oppressive and it would be ineffective. So people might say, "If you think it's a bad idea, Premier, why don't you just say so?"

People want work. They want real work. They don't want workfare. They don't want welfare. They want a living wage and they want decent working conditions. They want work that allows them to support themselves and their families in the 1990s and this is a task that we have begun. This is a task that we must continue. But we cannot carry it out if we fuel the entire debate with one simple concept and one simple idea and that is resentment. You can't build a healthy sense of yourself based on resentment. You can't build healthy relationships based on resentment. You can't build a healthy workplace based on resentment. You can't build a healthy business based on resentment. You cannot build a healthy province based on the idea of resentment and frustration. It is not the way for the province to go. The way we must go is to work together in a positive, creative and effective way.

The second idea which seems to have attracted a lot of attention, certainly judging from the way that the opposition leaders have been competing with each other in a kind of auction, is this idea of a huge tax cut. Well I think a huge tax cut right now is a very bad idea and I'll tell you why. Mike Harris is promising at least a $4-billion tax cut. Lyn McLeod is promising a $2-billion tax cut and they're both pretending that there are no other changes coming to us as a result of the federal budget. In fact we know that the federal budget will add to our challenge as a province to deal with the future. Looking at the Harris cut for example, those with more are going to get much more. If you're making over $50,000, you'll get more. If you're making over $100,000 you'll get even more. If you're making over $200,000 you'll be getting $36,000 from a

30-per-cent income tax cut. Congratulations! But it comes with a catch. Because the tax cut will be paid for by everyone else. It will be paid for by the poorest people in our society—those who are having to absorb a 20-per-cent roll back in welfare and social assistance rates. I think we have to ask ourselves the question: "Who in fact ends up paying for a reduction in the revenues of the province of this magnitude? The English call the approach that is being taken penny-wise and pound-foolish." The simple fact of the matter is Ontario cannot afford the proposals that are being put forward by the opposition leaders.

The Harris-McLeod doctrine is very clear—take from the poor and give to the better-off and increase the tax burden on those with fixed incomes. I can assure you, as surely as night follows day, a cut of that magnitude will be followed by huge cuts in public expenditures, huge cuts in transfers to the municipalities. Cut drastically, at least by $250 million. We believe ultimately it will be more because it will include transfers on roads.

Go to East York, lots of nice people there. I used to represent a good part of it when I was a federal member. Those nice couples who've worked all their lives, saved up, their children have gone off, they've got jobs, they're in their sixties, they've retired, they're on a fixed income. Their property taxes are going to go up. You know it and I know it. We all know it. How could it be any other way? So what is the justice? What is the justice of giving a stockbroker who makes over $200,000 a tax break of $36,000 and then taking a pensioner's money in East York and saying, "You're going to pay through the nose for that tax break?" It's not justice. It's wrong. It's not the right thing to do. It has a superficial appeal, but when you think it through it's very unfair. That is the challenge it seems to me that we have to recognise. This is a doctrine of unfairness.

It's unfair in another way as well because, by depriving the public sector of the money that is required for basic services, it will result in a lowering of the quality of those services for the majority of people who rely on them. Here I have to say something that I really have wanted to say for a long time. I've said it before. I am going to say it again. We have to establish the connection between the taxes that we pay and the services that we receive. There's a kind of dogma out there that both my opponents have fallen into that somehow a multi-billion dollar cut will be painless. No one will feel a thing. It's all going to the government and the government is all these faceless people who work at desks with quill pens. There are far too many of them and if we just get rid of a bunch of them, we'll have no more problems. Well, I'm sorry. Nothing could be further from the truth. The government is us. The money that we raise in taxes, that we spend on government programmes, does not go to nameless faceless other people. It doesn't. It goes to your mother's health care. It goes to your child's education. It goes to the water you drink, the quality of the air that you breathe, the roads that you drive on and the subways that you take to work.

In a radical republican world, that some are trying to foist on this province, Mr. Harris is trying to bank that people won't care about that, that they won't put two and two together, and that everyone will be so mesmerised by the tax cuts that they won't worry about the consequences. Well I think we have got enough time to un-mesmerise folks. Let me stress that I'm not appealing simply to your sense of generosity. That's an important part of what I like to do but I am directly appealing to your self interest. Ordinary people in this province will pay for the tax cuts for the wealthiest, but it will be your health care that suffers. It will be your child's access to education and the quality of your life that is reduced. I do not accept the view that somehow it is in our collective interest to create a more unequal province. Let's make no bones about it. That's what this is. It's a doctrine of inequality. It says we will take from the poorest people and we will give to the richest. If that isn't a doctrine of inequality, I don't know what is.

I find it ironic that again both opposition leaders have spent a great deal of time in this campaign drawing attention to issues of crime and issues of personal safety. But I would make the observation that those countries with the largest gap between rich and poor, where living standards for poor people are constantly being reduced, where public services are stretched to the limits, are the countries with the highest incidence of crime. Mike Harris likes to take a great deal of his rhetoric, of his ideas, of his proposals from south of the border. But compared to the United States Ontario is a safe and secure place. It is not perfect, but it is a lot safer and more secure than cities in the United States. But that won't be true if we follow Mr. Harris's advice. I say to you today that all the boot camps and all the new jails in the world won't give the education and the jobs and the hope for the future that our young people so desperately need and will continue to need in the future.

You can see the consequences of this way of thinking if you just look south of the border. We know what the U.S. health-care system is like. I don't like it. I don't want it here. We can see what their kind of health care does to the sick, to seniors and to children. We can see what happens to U.S. cities and towns when people have no jobs and they have no hope. We can see what happens when you force children to live in poverty and that's not what I want for Ontario.

I believe profoundly that Mr. Harris, his train, his agenda, his ideas and his ambition to be premier have to be stopped in their tracks. I think the people of Ontario are concluding that the other opposition leader isn't the person to do it for one simple reason. She started the campaign as a Conservative. She started to fuel the conservative agenda. Mr. Harris talked about tax cuts. She talked about tax cuts. Mr. Harris talked about cutting welfare. She talked about cutting welfare and she thought that somehow she could win this bidding war by trying to buy votes on both sides of the spectrum, Then she thought she could convince the people with another little red book. But what she really did in so doing was simply make more room for Mr. Harris. That approach hasn't been successful. But now we have a new Lyn McLeod. We've already had two. This is the third. Now she's pretending to be a New Democrat. I saw her speech the other night in which she used exactly the same arguments that I've made with respect to the tax cuts. The problem is the McLeod tax cuts are just as irresponsible and just as unrealistic and when you add to them the additional cuts that are coming from the federal government the numbers make as little sense as Mr. Harris's. I've concluded that in fact when the wind was blowing from the right, Lyn McLeod was blowing in that direction. Now the winds are blowing in our direction she is trying to change course. I think fundamentally where Lyn McLeod has missed the point is that in the last week of this campaign the issue on which this campaign is going to turn is the issue of leadership and the question of the choices that we really face as a province.

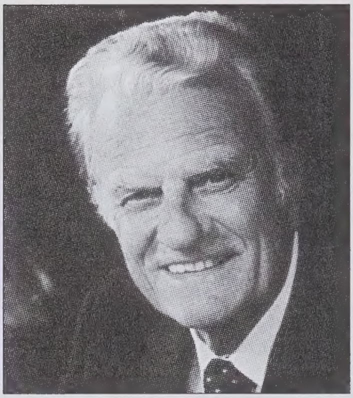
There is a very clear choice. It is not represented by Lyn McLeod. It is, I believe, represented clearly for that side of the argument by Mr. Harris and it is represented by me. It's a choice between progress—steady, effective, optimistic, confident, based on generosity and based on an appreciation of people's concern about their own futures and their family's future and back peddling—an appeal to nostalgia, an appeal to a province that really never was and a way of life that people are trying to talk about and re-create. Even in his own arguments, Mr. Harris talks about going back to 1975 or the tax rates that were in place in 1980. I'm sorry Mike, there's no going back. This province needs to move ahead. It's a choice between investing in the future, or hiding in the past. It's a view of two very different ways of understanding Ontario. Of all the lessons that I have had to learn, and I've had to learn a few as premier, I've had to learn one or two very basic ones about leadership. A good leader is someone who understands that you have to be able to make difficult decisions and then you have to be able to carry them out. You have to be able to listen to the council of the people but you also have to be able to decide. Ultimately I believe that the people of Ontario will choose once again the kind of leadership that we have tried to provide over the past four and a half years—leadership that has the courage that's required to say "no" and the compassion that is essential to say "yes."

Sixty years ago, as he sought a second term, an American whom I have no hesitation in saying I admire said these words: "Governments can err, presidents do make mistakes, but the immortal Dante tells us that divine justice weighs the sins of the cold-blooded and the sins of the warm-hearted in different scales. Better the occasional faults of a government that lives in a spirit of charity than the consistent omissions of a government frozen in the ice of its own indifference." These words were spoken by Franklin Roosevelt, a president who had to take his country out of a difficult recession and attempt to provide leadership that provided hope and optimism and encouragement—a leadership which all of us should admire. I believe that it is better to have the politics of hope and opportunity than the politics of resentment and frustration. In that spirit I offer myself and my services once again to the people of the province of Ontario.

Thank you very much.

The appreciation of the meeting was expressed by Julie Hannaford, Partner, Borden & Elliot and First Vice-President, The Empire Club of Canada.

Ontario Premier Bob Rae with Empire Club Director Bill Laidlaw, Harry Hind, District 6 Director, United Steel Workers and the Reverend Kim Beard.



June 6, 1995

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Dr. Billy Graham

Evangelist

LEADERSHIP IN THE THIRD MILLENNIUM

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada; Dr. Brian Stiller, Evangelical Fellowship of Canada; Paul Henderson, former Toronto Maple Leaf and Director, Leadership Ministeries; Mrs. Joanna Campion; Allan Beattie, O.C., Vice-Chair of Board, Eaton's of Canada; Rev. Samuel Bianco, Rector, St. Michael's Catholic Cathedral; Bishop Douglas Blackwell, Anglican Diocese of Toronto; John A. Campion, Partner, Fasken Campbell Godfrey and Immediate Past President, The Empire Club of Canada; Beverly Mascoll, President, Mascoll Beauty Supply and Vice-President, The Canadian Club of Toronto; Peter Stevens, CFO, Trow Consulting; Mike Gartner, Toronto Maple Leafs; Rev. Canon Harold F. Roberts, Rector, St. Timothy's Church, Agincourt and a Past President, The Empire Club of Canada; Dr. Daniel Dryer, Chaplain and Director, King Bay Chaplaincy; and Libby Burnham, Counsel, Borden & Elliott, and President, The Canadian Club of Toronto.

Introduction by David Edmison

It is written in Mark, chapter 16, verse 15: “Go ye into the world and preach the gospel to every living creature.” Our guest today has done just that. He has preached the gospel in over 180 countries to 180 million people in live audiences. Through the use of state-of-the-art technology, satellite transmissions, instantaneous interpretation and fiberoptic telelinks, he has reached billions more globally.

It is a pleasure to welcome back to this podium, Dr. Billy Graham, who first appeared here 40 years ago, early on in his distinguished career. And what an active career it has been!

This is a far cry from the quiet rural farm life in which our guest was raised. As a youngster, his ambition was to become a first baseman for the Philadelphia Athletics. However, after attending a revival meeting during his senior year of high school, he experienced a religious conversion, and moved to a bigger league. Although he has not played ball in a stadium, Billy Graham has likely spent as much time in them as some baseball players. There is one difference: when he preaches in them, they are invariably full. In fact, last year at the Georgia Dome on a Saturday night, over 70,000 people came to hear him preach. Now, to put this in perspective, that exceeded the attendance at the Super Bowl by 10 per cent.

Since his first crusade in Los Angeles in 1949, he has taken the gospel behind the Iron Curtain, and travelled from Siberia to Saigon, from Africa to Alaska, and from Tokyo to Toronto. He has met with people from every walk of life, from native bushmen to world leaders. Every U.S. President since Harry Truman has sought his counsel.

Dr. Graham conducts his ministry through the Billy Graham Evangelistic Association. It includes the weekly “Hour of Decision” radio programme, broadcast on more than 700 stations worldwide; a newspaper column, “My Answer, “reaching seven million readers; and “Decision” magazine which is read in 163 countries.

He has written 17 books, all best sellers. His latest book, “Storm Warning,” examines our world today in light of biblical revelation, and offers hope and meaningful ways to meet the approaching storm. Dr. Graham has received dozens of honorary awards and he is listed by the Gallup organisation as one of the “ten most admired men in the world,” chosen an unparalleled 36 times.

In his book, “To All Nations,” the authorised biography of Billy Graham, author John Pollock wrote that our guest “believed that his special gift lay in the invitation to receive Christ.” He looks at himself as, “primarily a door-keeper in the house of my God; helping people to enter; and once entered they will be aided by others to appreciate the treasures of the House and learn more fully to serve.”

Ladies and gentlemen, I ask you to warmly welcome a truly remarkable man, and a special "door-keeper," Dr. Billy Graham.

Billy Graham

Four and a half years from now, on New Year's Eve, 1999, the world will be celebrating the end of the second millennium and the dawn of the third millennium. Already major hotel ballrooms around the world have been booked, and I read about one Japanese travel agency that is chartering several cruise ships for the occasion. They will sail just west of the international dateline in the Pacific so their passengers will be the first to enter the year 2000; and then they can sail east across the dateline and become the last people to celebrate the arrival of the new year 24 hours later!

But what kind of world will the 21st century be? Will the third millennium usher in a golden age of progress and happiness, as some project? In his book "Global Paradox," John Naisbitt wrote, "We live in a time of great change, a time of new beginnings. We live in a time when many things are coming to an end." One writer in a special "Time" magazine issue on the coming millennium several months ago commented that "our descendants may encounter technological upheavals that could make 20th-century breakthroughs seem tame." Or will it be a time of political chaos or social upheaval or economic collapse or ecological disaster—as others speculate? In the same issue of "Time," one writer predicted the end of the nuclear family, and another forecast vast hordes of homeless children wandering aimlessly in the streets because they will have nowhere to go.

No one except God knows the future, of course, and that is not my purpose today anyway. What I do know is this: We are already living in a world that is beset by problems and upheavals and instability. Just a few weeks ago we all witnessed that frightening act of terrorism in Oklahoma City, and at least for us in America, the violent hole torn in that building was like a gaping wound ripped into our hearts. We sensed that somehow our society would never be the same, and the old values of trust and neighbourliness were being eroded by the acids of suspicion and hate and fear. And I thought how that event mirrors the world we live in today. Even as we enjoy this lunch today in comfortable surroundings, social and political tremors that we do not feel are shaking our world. The wars and disasters and human suffering in countries outside our own often go unnoticed as they happen. They may seem remote and unimportant. But we cannot escape their effects. It was a Canadian, Marshall McLuhan, who coined the phrase "global village" to describe the modern world, and today we have become a global village linked more closely to each other than ever before. What happens in one part of the world affects us all.

It is not only the natural disasters, but the man-made calamities that create the greatest anguish among people today. We have almost become deaf to the names of the many places where ethnic hatred has become a way of life, and death.

One of my sons heads a Christian relief organisation which seeks to give emergency aid to places that are facing disaster. His stories from his visits to places like Bosnia, Somalia, and Rwanda would break your heart. And I know you have many of these same problems here in Canada. I have read that by some estimates there are 5,000 teenagers living on the streets of Toronto. An article in "Maclean's" a few months ago described one of them—an angry young girl from Winnipeg who ran away from home after being physically abused by her father. On her jacket she wore a button that said: "God forgives, I don't." In another article I read that the suicide rate among 15 to 19-year-old Canadians has quadrupled in the last three decades. Among Aboriginal youths, the suicide rate is five to six times higher. Within a 50-mile radius of where we sit today, there is enough heartache, pain and suffering to set alarm bells off.

Earlier this year, I watched the CBS three-hour programme entitled “The Killing Fields of America.” Part of it was centred in a hospital in New York. The killings, wounding, and the suffering on just one Saturday night, in one city, and at one hospital should be enough to frighten us. And it’s true of almost every city in the western world.

The world we are creating by our choices today is the legacy we leave to our children and grandchildren. An Australian science writer and social analyst has said: “It may be that the greatest wrong we are doing to our children is … the creation of a culture that gives them little more than themselves to believe in—and no cause for hope or optimism.”

The two questions people ask me more than any other are: “Is the end of the world near?” and “Is there any hope in a world that seems to be coming apart?”

My answer, in the face of all these problems, is, “Yes, there is hope.”

We don’t know the future, of course. But whatever happens, the new millennium will bring new changes and new challenges, and the subject I would like to talk about today is this: What kind of leaders will our world need in the future?

According to the London-based ‘think tank,’ the International Institute for Strategic Studies, “…nations throughout the world are in a crisis of weak leadership leading to the most pronounced drift in foreign affairs since World War II. A pervading sense of impotence characterised international affairs during the past year… a period of drift (states the Institute in its May 4th 1994/5 strategic survey) …weak leadership was common on all five continents.”

What are the qualities of leadership which will make our world a better place, whatever the third millennium holds?

The first quality I mention is integrity.

Integrity means moral honesty and purity in our lives. It means having firm moral and spiritual standards, and following them. It means refusing to take the shortcuts that no one may ever know about, but are nevertheless wrong.

Integrity means a man is the same on the inside as he claims to be on the outside. There is no discrepancy between what he says and what he does. Solomon wrote long ago: “The man of integrity walks securely, but he who takes crooked paths will be found out.” (Proverbs 10:9. NIV).

Ruthworth Kidder, writing in “Education Week” magazine, has said: “Ethics is not a luxury. It’s as essential to our survival as clean water and sunlight.” Nancy Austin, writing in “Working Woman” magazine, says: “The best way to prepare yourself for making complex ethical judgments on the spot is to practice on the small challenges you face every day.”

The second quality which I believe is necessary for leadership is personal security.

I do not mean this in the sense of physical security, or job security. But I am instead talking about personal, internal security—the kind which comes from knowing and accepting whom we are, why we are here, and where we are going. I do not mean by this just self-confidence or having a strong ego, or having a personal security which comes from your own abilities or talents or the approval of other people. Instead, it comes from an understanding that we are God’s creatures, and that He has a plan for our lives.

George Washington said: “Let us with caution indulge the supposition that morality can be maintained without religion. Whatever may be conceded to the influence of refined education and minds of peculiar structure, reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle.”

We need a proper emphasis on the spiritual aspect of life. You are not just a body or a mind. God created you with a spiritual nature also.

Alexander Solzhenitsyn warned: "We have placed too much hope in politics and social reforms, only to find out that we were being deprived of our most precious possession: our spiritual life... We are in a harsh spiritual crisis and a political impasse. All the celebrated technological achievements of progress, including the conquest of outer space, do not redeem the 20th century's moral poverty. We need a spiritual blaze."

That is one reason why I believe the only real source of lasting personal security is God Himself. Only in Him do we find out whom we are, why we are here, and where we are going. As a person comes to know God in a real and personal way, he becomes truly secure.

Personal security includes a sense of inner peace—peace with God and with oneself. Jesus once said to his followers, "Peace I leave with you; my peace I give you. I do not give to you as the world gives. Do not let your hearts be troubled and do not be afraid." (John 14:27, NIV).

Besides integrity and personal security, the third quality which is necessary in a leader is a sense of priority.

This is the ability to separate the important from the unimportant. Until a person gets his or her priorities in life straight, everything else is going to be out of order.

Prime Minister Jean Chrétien got it right when he chose for his reading at the National Prayer Breakfast in Ottawa last month that passage in the twelfth chapter of Luke where Jesus rebuked a rich fool who focussed on his material wealth but ignored his soul. "So is he that layeth up treasure for himself, and is not rich toward God. (So be not anxious) for your life, what ye shall eat; neither for the body, what ye shall put on. The life is more that (food), and the body is more than raiment." (Luke 12:21–23).

Most of you are adept at planning—at your office, or running a home. But many of you don't give much attention to your own 'life plan' and the direction you're going, and why. Most of us live from day-to-day so swamped by the pressures and details of daily life that we don't take the time to think about our goals in life—or the after-life. When Jesus was asked to state life's greatest priority, he said: "Seek first (God's) kingdom and his righteousness." (Matthew 2:33, NIV). He also said, "You shall love the Lord your God with all your heart … all your soul … all your mind, and with all your strength" and "You shall love your neighbour as yourself." (Mark 12:30, 31 RSV). Once that priority has been established, then the rest of life can be seen and lived in a proper perspective.

What is your priority in life? Is God first in your life? We do not call people to the religion of Christianity, but to the person of Jesus Christ.

Fourth, the quality of sacrifice.

Why is it people today are often so cynical about leadership? I believe one reason is because they think most leaders—whether in politics, or education, or business, or even religion—are only in it for themselves, and for what they will get out of it. Our world needs leaders who are willing to sacrifice their own ambitions and own goals for the cause of a higher goal—the goal of doing God's will, of doing what is best for others and for this world.

One of the most admired men in the early decades of this century was Sir Wilfred Grenfell, a brilliant surgeon who gave his life to the impoverished people of Labrador and Newfoundland. For over 40 years he built schools and hospitals and co-operative economic endeavours all along the coast. What you may not know is that he undertook his work after hearing Dwight L. Moody, the American evangelist, challenge people to dedicate their lives to Christ. When someone would say to Grenfell, "Your life must be hard—a real sacrifice," he always replied, "Sacrifice? hardly." Then he always pointed to the sacrifices of Christ as the inspiration for his work. I have had the privilege of visiting Mother Teresa in Calcutta, and she exemplifies the kind of sacrifice that is often required for true leadership. Jesus said, "If anyone would come after me, he must deny himself and take up his cross daily and follow me." (Luke 9:23, NIV). He then added, "What good is it for a man to gain the whole world, yet forfeit his soul?" (Mark 8:36, NIV).

But finally, the kind of leadership our world will need in the year 2000 and beyond must include the quality of commitment.

Most of all, I challenge you to be individuals who are committed to Jesus Christ, because only in Him can you know what it fully means to have integrity, personal security, priority, vision, and sacrifice. As we yield ourselves to Him and come to a personal relationship with Him, and then walk day by day with Him and follow His Word—then we discover the qualities of leadership we need, and also the strength we need. For He alone exhibited these qualities of leadership perfectly in His own life.

A few minutes ago I told you that I have hope. I've read the last page of the Bible. In addition to giving the end of the human story, the last words of the book of Revelation contain what I believe is the greatest invitation ever given. "Come! Whoever is thirsty, let him come; and whoever wishes, let him take the free gift of the water of life." (Revelation 22:17, NIV). This is the invitation of Jesus Christ to come to Him and find life. It's a call to find satisfaction, meaning and purpose. And it's an invitation to find the source of strength to lead and serve others. Jesus said: "Whoever believes in me ... streams of living water will flow from within him." (John 7:38 NIV). Jesus says, "Come to Me."

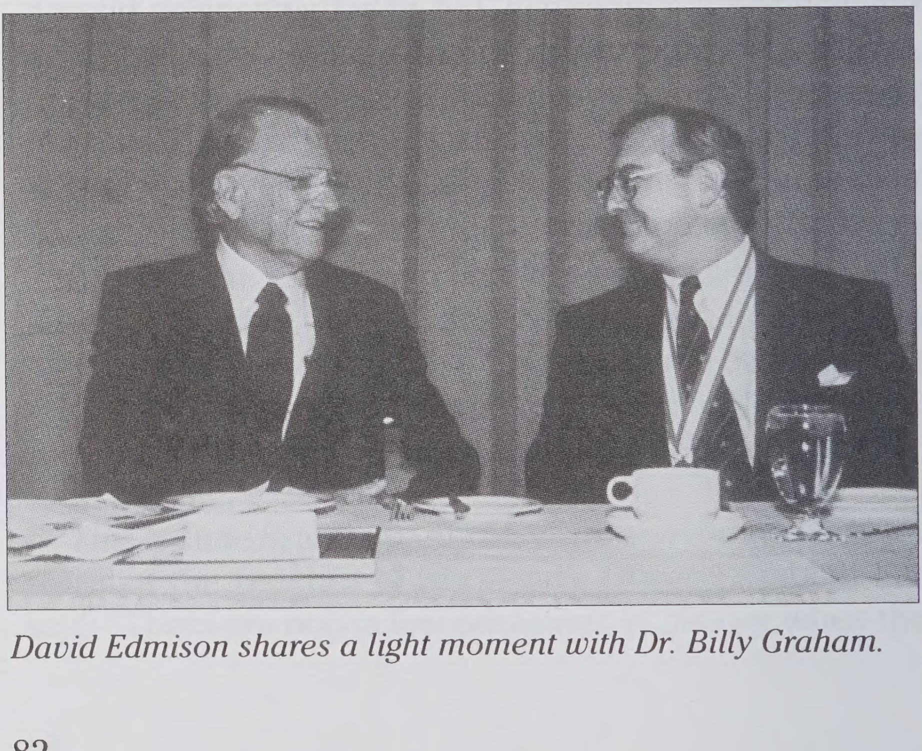
This is June 6, and exactly 51 years ago today the Allies stormed the beaches of Normandy. Queen Elizabeth has said: "There are only a few occasions in history when the course of human destiny depended on the events of a single day. June 6, 1944, was one of those days."

Perhaps this is the "single day" that will determine your personal destiny and your future, as you give your life to Jesus Christ. If you are a Christian, I can think of no better time than today to renew your commitment. He invites you to come just as you are. His welcome is to everyone, everywhere, in every circumstance.

Years ago, Sir Edmund Hillary, after his second attempt to climb Mt. Everest, was back home discouraged and broken. Two of his best friends had died on that attempt to climb the high peaks of Mt. Everest. He was asked to address the Royal Geographic Society in London. As he addressed the group, he noticed behind him on the wall was a large mural of Mt. Everest. He interrupted himself, turned to the mountain and said: "I tried to conquer you once and you beat me. I tried to conquer you the second time and you took the lives of two of my best friends. But Everest, you will not be victorious. I will be victorious because you can't get any bigger, but I can."

Hillary knew that Mt. Everest could not be conquered by changing the mountain, but only by changing himself. And that is true with you and with me, as we allow Christ to come into our lives and change us by His love and power. You can leave this place having found Whom you need and what you need to be the leader this world so desperately needs.

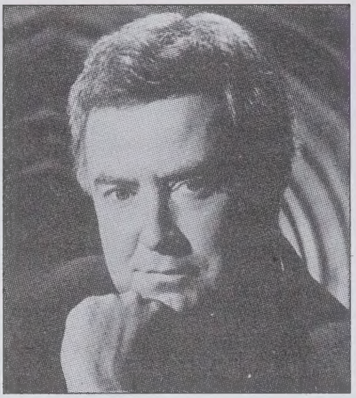
Head table guests Dr. Ken Gamble, Joanne Campion, Allan Beattie, Dr. Billy Graham, Rt. Rev. Samuel Bianco and Bishop Douglas Blackwell.



David Edmison shares a light moment with Dr. Billy Graham.

Head table guests Peter Stevens, Dr. Daniel Dyer, Mike Gartner, David Edmison, Elizabeth Edmison and Paul Henderson.

Dr. Billy Graham greets head table guests Empire Club Director Gareth Seltzer, Dr. Brian Stiller and Paul Henderson.



June 22, 1995

A joint meeting of The Empire Club of Canada and The Royal Commonwealth Society

The Rt. Hon. Joe Clark

Former Prime Minister of Canada

THE VALUE OF CANADA, THE RISKS IT FACES

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Maria Roman-Bricknell, Managing Supervisor, Fleishman-Hillard Inc. and a Director, The Empire Club of Canada; Thobey Campion, recent graduate, Upper Canada College Prep School; The Rev. Dr. John Gladstone, Minister Emeritus, York Minster Park Baptist Church; Professor Patrick Monahan, Osgoode Law School; Ron Atkey, Q.C., Partner, Osler Hoskin & Harcourt; Clifford Hatch, Chairman, Fleming Packaging Corp. and Ontario President of Council for Canadian Unity; Ron Goodall, Partner, Goodall & Peacock and President, The Royal Commonwealth Society; Tom Wells, President, T.L.W. Consulting and Chairman, Ontario Chapter, Royal Overseas League; William McAleer, President and CEO, Johnson & Higgins; Margaret Wente, Editor, Report on Business, The Globe and Mail; Kendall Cork, Chairman and President, E-L Financial Corporation Ltd.; and the Hon. Henry N. R. Jackman, C.M., K.St.J., B.A., LL.B., LL.D.

Introduction by David Edmison

Ladies and gentlemen, as you can see, we have an eminently distinguished head table this afternoon. Before introducing our guest of honour, I have the privilege to welcome His Honour Hal Jackman, the 39th Lieutenant-Governor of Ontario, to this special Canada Day celebration.

His Honour is, of course, no stranger to our combined Clubs. As a distinguished Past President of The Empire Club, as a frequent guest speaker, and now as the representative of Her Majesty in our province, he has graced this podium on many occasions.

His Honour has had a very successful and distinguished career in business, and has been involved in a great number of charitable endeavours. He has also been active in the political life of our province and country. His outstanding contributions to public life have earned him widespread recognition for his achievements.

Ladies and gentlemen, it is my pleasure to call on a great friend of The Empire Club and Royal Commonwealth Society to extend greetings from Her Majesty, His Honour Hal Jackman.

The Hon. Henry N. R. Jackman

Thank you very much David. It is obviously a pleasure for me to be here once again for your Canada Day luncheon. The Royal Commonwealth Society and The Empire Club of Canada, as you have said, are two organisations which are very, very close to me.

I think that when we celebrate Canada Day we should be conscious of the heritage that this country owes to the monarchy—to our principles of parliamentary freedom which came to us under the British Crown. Canada was not the product of a revolution like the United States. What defines our distinctiveness is the fact that we, unlike the United States, are not a republic. We are a monarchy. We have evolved to our self-governing independent status through the monarchial system rather than by means of a revolution.

I'm very pleased that my old friend Joe Clark is here today. No one could speak with more passion and more conviction about what Canada means than you do and I am honoured to be here in your presence today and look forward to your speech.

Thank you very much.

Introduction by David Edmison

It is a pleasure for me to introduce a great Canadian, The Rt. Hon. Joe Clark. Our guest has often described Canada as a "community of communities," and an example of this is the town of High River, Alberta. This community was originally called "Spitzee." It's a Blackfoot word meaning "place where the river is easy to cross." And in 1939, who could have known that the town's newest son would one day become its most famous. In his adult life, Joe Clark has crossed provinces, countries, continents, oceans and, yes, more than a few rivers. He crossed rivers of doubt, rivers of controversy, rivers of challenge and rivers of change. And not always where it was easy to cross. You see, unlike his home town, in Joe Clark's career, those spots weren't always within reach. But he crossed anyway—armed with a remarkable combination of passion and purpose. And today, Canadians are all richer for his experience.

Mr. Clark has spoken from this podium several times before. He has addressed us in many capacities: while in opposition, while in power, while prime minister and on more than one occasion, while in the heat of a federal election campaign. Indeed, his political involvement spans over 35 years, beginning in the late 50s when he first became active in the party. He started young, but it's often said that "the younger you start, the faster you grow." And Joe Clark is living proof. Before we knew it, he became the youngest elected prime minister in Canadian history.

After earning his B.A. and M.A. from the University of Alberta, he taught political science. Then, as a journalist, he worked for CBC radio and television and for the two major Alberta newspapers—an experience that served him well as he waded expertly through the media scrums outside Parliament years later. He was first elected to the House of Commons in 1972, and dramatically rose to the leadership of his party against a strong field of 10 contenders less than four years later.

Sir John A. MacDonald said: "Canada is a difficult country to govern." Our guest, I'm sure, would not disagree. Despite the many challenges, his career in politics is one of outstanding achievement. It is marked by a commitment to national unity that, against all odds, made him the key in generating constructive dialogue and consensus on the divisive issue of constitutional reform just a few years ago. Clearly his contributions as Minister of Constitutional Affairs are among the most important since Confederation. During this pivotal period, diplomacy, negotiation, understanding and a passion for Canada carried Mr. Clark to a special place in Canadian history.

Our guest has accomplished a great deal. He's been a politician, a statesman, an educator, a journalist, a broadcaster and a recent author of a book on Canada called "A Nation too Good to Lose." But first and foremost, he's a Canadian—a Canadian who has always put the interests of the country above all else. For this he has been awarded many honorary degrees, and most recently was made a Companion of the Order of Canada.

As our two Clubs today celebrate the 128th birthday of our nation, I can think of no one more appropriate to address us than Joe Clark, a man who has done a great deal both in and out of public life—and, more often than not, in the name of Canada.

Ladies and gentlemen, I ask you to warmly welcome our special guest, The Rt. Hon. Joe Clark.

Joe Clark

I am genuinely pleased to be back at The Empire Club, and to celebrate Canada Day, a strategic 48 hours before the festival of St. Jean Baptiste. But I am conscious of having come here before to virtually the same audience with virtually the same message about the value of this extraordinary country, and the risks it faces.

I don't doubt the passion for Canada of anyone in this room, but the thought has crossed my mind that we are letting this discussion become too routine. We recite our catechism about Canada—this free, diverse, tolerant, compassionate community—yet those are certainly not the qualities that characterise public debate today, in a climate preoccupied by issues of debt, and trade, and cracking down on perceived abuse of the system.

Certainly, I would not dispute the importance of the issues of debt, and of trade. You may remember that I tried to do something about the debt before most other Canadians were ready. My point today is simply that, if those other qualities which we claim characterise Canada are critical to creating a sense of Canadian unity and purpose, we have to demonstrate them regularly in our actions as a community, not just recite them on patriotic occasions.

We talk about the threat to our unity and future, but we don't often act as though the threat were real. I would wager that most Canadians have no idea what is being done in Quebec by the forces which seek the independence of that province. On this first day of a spectacular Canadian summer in the year of the referendum, we are paying more attention to the stories of Les Nordiques, or the Expos, than we are to the campaign of Messrs. Parizeau, and Bouchard, and now Dumont, who want to break up our country.

Mr. Parizeau and his allies are changing the referendum question. It is a change in tactics, but not in purpose. The pretence is to negotiate; the purpose is to separate.

It is one thing for Quebec to say to the rest of Canada: "You must negotiate with us to build a new federation." This proposition is quite different. In effect, the Parti Québécois, and its allies, are saying: "You negotiate what we want, or we leave."

No one would negotiate under those terms. Quebec would not, and neither would anyone in this room. But negotiation is not the point of this strategy. Winning the referendum is, and I believe this proposition can be made to appear more reasonable, less risky, than a straightforward vote on separation. After all, it proposes another negotiation with the larger Canada. The implication would be that, if this negotiation fails, that would be Canada's decision, not Quebec's. It plays upon the sense in Quebec that, while the Rockies might be wonderful, the people who live there are none too friendly.

We should all remember that many sovereignists in Quebec believe that, in the 1980 referendum, Quebec played by the rules, and Canada did not. They believe the changes promised then, at Paul Sauve arena, meant something different from the constitutional changes Mr. Trudeau subsequently introduced.

You can contest their view, if you wish, but you should understand that the architects of this referendum campaign do not intend to be burned twice. They will conduct an all-out campaign. We can argue that they do not know the advantages of the country they would leave, nor the perils of the future they would embrace, but we should understand that they are determined to win.

I make those observations for two reasons. The first you may interpret as a warning. Ever since my crash course in Canada during the constitutional debate—and you can interpret "crash course" any way you wish—I have believed that indifference in the larger Canadian community is a more serious threat than separatism in Quebec. That province is not just a "distinct society." It is a community, accustomed to acting as a community. For various reasons, that community is looking to define its future, and the referendum will provide a choice between options. The separatist forces are in the process of defining their option vigorously. In a real sense, you and I and other Canadians who prize this nation represent the other option. If, in the next several months, most of us treat the future of our country as a spectator sport, that future will be decided by the players who are active in the field. This is not a time for indifference.

My second motive is to try to begin some discussion about the practical things that might be done by Canadians who want to have a constructive influence on developments in Quebec.

One of those is quite basic. More of us should make a point of speaking well of our country. There is a lot of anger in Canada today—and uncertainty about the future, if not outright fear. That is the case in many western democracies. But it is a more critical moment here. At a time when the worth of Canada is being directly questioned in Quebec, many of the Canadian voices which get reported are hostile, or at least critical. That includes some business voices, or voices speaking to business, whose fervour about the debt, or the tax burden, leads them to write off the country. For better or worse, business voices are heard beyond the boardroom now, and can affect, for example, the assessment of Canada which might be made by a previously uncommitted voter in Quebec.

It is instructive that much more prudence has been shown recently by people in public office. Those leaders, outside Quebec, whose views would have an impact in that province, have been careful and constructive. It must be a disappointment to Mr. Parizeau, who was trolling for some angry reaction, and found interest only in some of the darker recesses of the Reform Party. Speaking personally, and not to be partisan, I thought it was extremely helpful that, in his first statements as Premier-Elect of Ontario, Mr. Harris chose to say something in French. (And it was a very familiar French to me. He and I could converse.) That attitude is, of course, firmly in the tradition of Ontario premiers, but it is a small example of the sensitivity which should be followed.

There is something deeper here than simply being careful about what we say.

You may recall that I did not volunteer to become Minister of Constitutional Affairs. I was conscripted, and many of you have heard of our daughter Catherine's reaction after I left External Affairs for the Constitution. She said: "Well, so long Paris; hello Moose Jaw." Since my conscription, I have had several surprises. Let me tell you about one that troubles me more than others.

Again, you know that the United Nations assesses the quality of life in all the countries in the world, and regularly judges Canada to be the best place in the world to live. Naturally, I quote that finding at every opportunity and I am surprised by the number of Canadians—from sophisticated people in Toronto to farmers and clerks in Yellowhead—who seem to dispute that judgment.

Now, perhaps, their farm just failed or some other personal hardship has brought them down. But the refrain is broader than that. Most other countries in the world would put that U.N. judgment up in bright lights. Imagine what the Americans would do if anyone said that about their society. There is something in Canada that discounts our accomplishments instead of celebrating them.

In another era, Joseph Howe, the great "Tribune of Nova Scotia," urged his compatriots to "brag about your country." In fact, he said: "Brag about your country, boys," but that really was another era. Joe Howe was right. A successful society needs to be reminded of its accomplishments. That is neither boosterism, nor blindness to our faults. It is the basis of building new successes—and we need new successes.

So speak well of Canada. Make it a habit.

A second simple action open to people in this room is to find reason over the next few months to go into Quebec, listen to what people are saying, and talk about the country you know. I am not suggesting formal speeches, but family holidays, a weekend in the Townships or Quebec City, some time in Gaspé or Lac St. Jean, a different kind of baseball at the big "O."

Remember that many Quebeckers, who will vote in a referendum, have very little personal contact with the larger country they are being asked to leave. Much of what they have heard makes them feel unwelcome, and it is in the power of everyone in this room to help turn that attitude around.

Finally, much as I hate to propose anything that sounds like constitutional discussions, we should begin to talk more about the kinds of arrangements we think could work in a modern federal Canada. It may well be that governments should continue to stand back from that process, at least until after a referendum.

But we cannot let the separatists pretend that Canada is wedded to a particular status quo in our constitutional arrangements. We have to find ways to demonstrate that Quebec is not alone in wanting changes. Because, while it is important to speak well of Canada and to broaden the network of personal contacts, this problem will be solved only with some changes in the Constitution, including changes in jurisdiction. And Canada's hand in any referendum would be stronger if Quebeckers were confident that they had allies in seeking change.

I am not here to offer advice to Mr. Chrétien. He respected my responsibilities when I was minister, and I certainly respect his, as prime minister. As you would know, I am notorious for supporting prime ministers. In his successful election campaign, he was clear on two principles about Quebec and Canada. The first was that he was going to give priority to other issues rather than the Constitution. The second was that he would preserve Canada.

I admire the atmosphere of calm which Mr. Chrétien has brought to his conduct as prime minister. On other occasions, we can discuss whether his government has done much in substance, or wants to, but there is no doubt that the atmosphere of calm—almost of business as usual—has been welcome, particularly after the turbulence of the historic changes of free trade, the replacement of the manufacturers' sales tax, and the all-out attempt to get agreement on institutional and Aboriginal and constitutional questions.

I am proud of the accomplishments of the government of which I was a part, but every Progressive Conservative knows that part of Mr. Chrétien's success is that he is not us.

But Canada is the same country with the same qualities that win envy around the world, and the same fault lines, which we ignore at our peril. If we don't talk about ways we might meet those challenges, that suggests we are not interested in solving our problems together. And I believe that if we do not talk about them, we will find that some of the goals of Quebec, respecting jurisdiction, are shared by other provinces—including large provinces: British Columbia, Alberta, and perhaps Ontario.

Two factors that are new since the Charlottetown process add momentum to the prospects of re-shaping our Federation.

One is fiscal reality. Canada cannot afford the duplication of services that has prevailed for decades—and moreover, there is no longer much taste for the kind of assertiveness by the central government that characterised the 1970s.

The second factor is a genuine societal change, that places more importance on local communities, local initiatives. That has to do with more than just a reaction against distant bureaucracies. Technology allows decentralisation as never before. It allows people to work together, without being physically in a central place. It makes use of the higher levels of education and knowledge, the greater sense of efficacy, and the greater knowledge of local conditions, that exist in local communities.

We should not be so haunted by past failures that we refuse new initiatives, particularly if simply discussing those initiatives might help encourage Quebeckers to stay in Canada.

Let me recall three points about our country.

First, that United Nations judgment is no accident. With all our imperfections, we are both a lucky and a successful society—a nation too good to lose.

Second, this is not an easy country. We cover an immense geography. We are not all alike. There is no simple, binding common myth, such as the British, or the French, or the Americans have at the core of their patriotic identity.

And, while other nations were created by conquest, or accident, or geography, we have always depended upon political will. That was how the country was formed, at Confederation; how it expanded across a continent, and to three oceans; and how it developed the qualities that distinguish Canada from other countries—the equalisation principle which makes our federation more equal; medicare; a mixed economy; a remarkable prosperity; and a respect for different cultures, that is deeply rooted in Canada in a way that is rare in most of the world.

We have always depended upon political skill, and political will—and that is more complicated in this more educated, more populist age, because we now need the will of citizens as well as leaders.

The third reality about Canada is that we could come apart. We take so much for granted in this rich society, far from the war and conflict that consume other continents, knowing little of our own history, knowing few of our fellow citizens from other Canadian cultures or communities, and undervaluing the advantages which this large, successful country brings to all of us.

In my province, the government talks about "The Alberta Advantage," to evoke the climate of opportunity they seek to establish. But the real Alberta advantage is to be in Canada. That is also the Quebec advantage and the advantage of all of us.

As Secretary of State for External Affairs, I have seen societies that are truly divided—where people kill each other or react to their neighbours with hatred or fear. There is virtually none of that here in Canada—no historic hatreds, none of the fears and antagonisms which pull communities apart. And as a Canadian minister, prime minister and party leader, I have been into every part of every province and territory, and talked, and listened, to thousands of Canadians. Throughout that experience, I have not seen a single issue of substance that was insurmountable. There are no fundamental divisions in Canada.

There are, of course, different views—about the appropriate power of the central government, or the appropriate role of the province of Quebec as the safeguard of the Quebec community, or the rights of

Aboriginals, or the Senate, or a thousand other important details.

Many of those issues are urgent and real, and cannot simply be shunted aside. But they are not irreconcilable differences. None is so fundamental that it should cause a country to fail. Nor is the sum of those differences overwhelming. This is a country that has every reason to succeed—and to thrive. But that is really up to us.

The appreciation of the meeting was expressed by Ron Goodall, Partner, Goodall & Peacock and Chairman, The Royal Commonwealth Society of Canada, Toronto Branch.

Students of Glenview Public School with His Honour H.N.R. Jackman and guest speaker The Rt. Hon. Joe Clark.

July 6, 1995

A joint meeting of The Empire Club of Canada and The Canadian Institute of International Affairs

Laszlo Kovacs

Minister Foreign Affairs, Hungary and President, Organisation for Security and Co-operation in Europe

HUNGARY, A NEW PARTNER FOR CANADA

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Ed Badovinac, Professor, Department of Electronics, George Brown College and a Director, The Empire Club of Canada; Father Joseph Mate, Assistant Pastor, St. Elizabeth of Hungary; Gabor Takach, Director, Central Chapter of the Hungarian Canadian Chamber of Commerce and Partner, Tory Tory Deslauriers & Binnington; The Hon. William Saunderson, Minister of Economic Development, Trade and Tourism for the Province of Ontario; Peter White, Chairman, Unimedia and Chairman, Canadian Institute of International Affairs; Alan Sullivan, President and CEO, Canadian Institute of International Affairs; Marcia McLung, President, Applause Communications and a Director, The Empire Club of Canada; Tibor Szandtner, President, Central Chapter of the Hungarian Canadian Chamber of Commerce and Partner, Ernst & Young; His Excellency Karoly Gedaj, Canadian Ambassador of the Republic of Hungary; and Andrew Sarlos, Chairman, Andrew Sarlos & Associates.

Introduction by David Edmison

The national rivalries and conflicting political ideologies that brought war to Europe twice in this century, and threatened war a third time, left a residue of complex problems and unresolved tensions.

The situation is important to Canada for we have twice gone to war in Europe to help restore peace and liberty. Today, though many problems seem distant and remote, we remain deeply involved in Europe's evolution.

One of the first significant steps toward easing the tension between the North Atlantic Treaty Organisation and the Soviet bloc took place in 1975, at a conference in Helsinki. Out of this historic meeting was born an organisation, which provided a playing field for Cold-War diplomacy.

In December this year, the heads of state and government of the countries forming NATO, the European Union and others will meet in Budapest to discuss European security and co-operation. This will continue the work started 20 years ago, through what is now known as the Organisation for Security and Co-operation in Europe, or OSCE.

This important summit meeting will be convened by this year's Chairman in Office of the OSCE, who is the Minister of Foreign Affairs for Hungary, our distinguished guest today, Mr. Laszlo Kovacs.

The OSCE mandate is large and the challenges are great. As U.S. President Woodrow Wilson once said: "Only a peace between equals can last; only a peace the very principle of which is equality, and a common participation in a common benefit." Assuredly this idea will be motivating the participants at this meeting, as they try to find common ground for attaining harmony and security in Europe.

It is not surprising that Hungary and Mr. Kovacs have been chosen to host this event. Hungary with her ancient nomadic Asiatic roots, respect for western ideals, and history as a buffer-state for Europe, is at the hub of change in Central Europe. The country's neighbours are Slovakia, the Ukraine, Austria, Romania and, of course, several portions of the former Yugoslavia. As a result, Hungary has a significant role to play in normalising relations with her neighbours and in improving the stability of this region of the world.

Our guest today is well qualified for the challenging task he faces as Chairman in Office of the Organisation for Security and Co-operation in Europe. He graduated from the University of Budapest in 1969 with a degree in Economics and Political Science. Not surprisingly he chose a career in politics and was elected to the

Hungarian National Assembly in 1990, after having served as State Secretary for Foreign Affairs.

Mr. Kovacs was soon elected as spokesman for Security Policy for his party, and in 1993 was made Chairman of the Foreign Affairs Committee of the Hungarian National Assembly. He has served as a member of the Parliamentary Assembly of the Council of Europe, and in 1994 was appointed Minister of Foreign Affairs.

Our guest has been a frequent speaker at international conferences including the UN General Assembly, NATO, The World Affairs Council, as well as many other important world bodies.

Ladies and gentlemen, I ask you to warmly welcome our special guest, Mr. Laszlo Kovacs.

Laszlo Kovacs

Ladies and gentlemen, I feel deeply honoured to be addressing the distinguished participants of this luncheon in my double capacity as Minister of Foreign Affairs for my country, Hungary, and also, as has already been mentioned, the Chairman in Office for the Organisation of Security and Co-operation in Europe.

Hungary can be called a new partner for Canada and I hope that after my address you'll come to the conclusion that Hungary is not only a new partner, but a stable and predictable partner for Canada.

The question is why do business with Hungary, why invest in Hungary?

The first reason I would like to offer you is the political stability of my country. Hungary was the country where the transition from the one-party system and Communism to a multi-party parliamentary democracy, to the rule of law and to a market economy of free enterprise occurred most smoothly in 1989 and 1990. One of the reasons was that this transition was negotiated. It was a negotiated process with the participation of the reform-oriented group of the former single party in Hungary and the opposition forces. Hungary was the only country where the first democratically elected government remained in office during the whole tenure of four years.

In all the neighbouring countries, governments fell and new governments came in, but in Hungary, as a sign of political stability, the government served the whole tenure.

After four years we had our second parliamentary elections in 1994 and I think it shows the political stability of the country that the very same six parties were elected to the Parliament as in 1990. To our great pleasure and satisfaction, no extremist parties nor politicians have been re-elected or elected to the Parliament in 1994.

We have now a two-party coalition consisting of the Socialist Party, to which I belong, and the Liberal Party called the Alliance of Free Democrats. The Socialist-Liberal coalition has 72 per cent of the seats which might not please the Opposition, but which gives stability to the country and to the legislature. This coalition government represents a hasty compromise between the reform group of the former single party and the former opposition. We are very proud that the negotiated coalition agreement of 150 pages gave stability to the country and to the coalition and probably due to this carefully negotiated coalition agreement the coalition survived its first year in office without any major problems or crises. Of course we have had difficulties as most governments do. Now five years after the process of transition started, multi-party democracy, multi-party system and the rule of law in Hungary are well established as is the market economy and the process is irreversible.

The second reason why I suggest you do business with Hungary and invest in Hungary is the resolute effort of the Hungarian government, the coalition government, to stabilise the economy in the short run and to modernise it in the long run. Unfortunately, we lost nine months after the elections when we came to power, because we did not recognise how serious the situation was and we wanted to avoid social tensions. Finally we had to face reality and we found that the budget deficit could exceed 10 per cent of the GDP in Hungary, which was unacceptably high.

On March 12, this year, we had to introduce some austerity measures. We had to introduce some serious cuts in government spending; we had to streamline the state administration; and we had to cut social benefits which was a very painful decision for a socialist-dominated government. We had no other options and now we hope that in the revised budget for 1995 we can reduce the deficit to 6.5 per cent of the GDP. We have started to work on the 1996 budget and we expect a deficit as low as three or four per cent of the GDP which would meet the requirements from the I.M.F. We also want to lower the rate of redistribution in the budget to 65 per cent of the GDP in comparison to the now more than 80 per cent.

In the long run we want to speed up the privatisation process. Today, the private sector provides approximately 60 per cent of our GDP, but by the end of 1997 we expect this ratio to be over 80 per cent. To reach 85 per cent of GDP provided by the private sector would mean that the private sector would be absolutely dominant in the Hungarian economy. We need the participation of foreign capital and we invite and encourage foreigner investors to come and invest in Hungary. We will soon start a new wave of privatisation which will cover the oil, natural gas and electricity industries. It will also cover telecommunications and banking. Strategically important branches of the Hungarian economy will be privatised in the coming months.

The third reason why I would advise you to do business with Hungary and to invest in our country is the predictability of Hungarian foreign policy. When the new government took over, it set three main priorities for foreign policy.

First is the new Atlantic integration of Hungary, which means, in practical terms, accession to NATO and accession to the European Union, because we are absolutely certain that neither the security and stability of the country nor the economic and social modernisation of Hungary can be achieved without being integrated into the Euro-Atlantic family.

The second priority of our foreign policy is to have good relations with the neighbouring countries and not just because NATO and the European Union made it explicitly clear that we cannot expect to be integrated and neither can our neighbours without settling our differences beforehand. We are absolutely certain that settling differences through negotiations, finding the compromises, which we might even call historic compromises between Hungary and Slovakia and Hungary and Romania, is very much in our own interest, regardless of integration. Having good relations with a neighbouring country is a primary issue from the point of view of security of the country concerned and also from the point of view of stability in the region.

A second reason is our economic interest because no large-scale economic relations and no large-scale economic co-operation can be expected, if we do not have the necessary level of confidence between the two countries concerned.

And the third reason. We have hundreds of thousands of Hungarians in the neighbouring countries. In Romania we have two million. In Slovakia, 600,000. I'm absolutely certain that we cannot support them if we do not have normal good relations with the host countries. While we want to help and support Hungarian minorities, there are Slovak, Romanian and other minority groups in Hungary. We have some hundreds of thousands of minorities and they should be able to maintain their ethnic, linguistic, cultural or even religious identities.

The three priorities of Hungarian foreign policy are very closely interlinked. If we don't settle the differences with the neighbours, we cannot expect to be integrated into NATO and the European Union. On the other hand, I'm convinced that if we want to get integrated, together with our neighbours, it will certainly help to settle the differences; it will certainly enhance good neighbourly relations with the neighbouring countries.

We are also certain that one day, if Hungary is a member of NATO and a member of the European Union it will be a much more attractive partner for any country in the world including Canada. It will be more attractive for foreign entrepreneurs to come and invest in our country.

To conclude, ladies and gentlemen, as Chairman in Office of the OSCE, I would like to share with you my vision of an all-European security architecture. Today the enlargement of NATO is being advocated by a large number of politicians in the West and in Central Europe particularly. In some other countries like the Russian Federation politicians are very much opposed to the enlargement of NATO. I think that we cannot examine the problems of European security only from the point of enlargement of the Alliance but we should have a vision of an all-European security architecture.

The security architecture which I envisage would be based on five pillars.

The first would be the enlarged NATO-European Union, Western European Union which is the security dimension of the European Union and the Council of Europe. I want to emphasise that for the enlarged institutions, NATO for example, there are two possible options. The first is to preserve and maintain the present scope of activities, the present scope of operations and in that case NATO would be forced to continue crisis management out of area as it is trying to do now in Bosnia with no major success. I would prefer the second option—the enlarged NATO which would welcome the applicant countries of Central Europe and would be able to get involved in crisis prevention which is obviously much cheaper and much more effective with much less cost in lives and financial resources than crisis management. The enlarged institutions would serve as a first pillar of an all-European security architecture.

The second pillar could be the OSCE (the Organisation of Security and Co-operation in Europe) itself, which was born last December at the Budapest summit of the Conference of the Security and Co-operation in Europe, CSCE, which is sometimes called the Helsinki Process. I would say OSCE is the institutionalised version of the former CSCE.

The third pillar of the envisaged security architecture could be the special arrangements between NATO and those states or those countries that would not be involved in the first wave of enlargement and some of them who would never join the Alliance, like the Russian Federation or the Ukraine. Special arrangements are needed because, as it is very wisely said by NATO politicians, NATO cannot ignore the legitimate security interests of Russia and the other countries that would not be involved in the first wave of enlargement. One of the special arrangements is obviously the PFP, the Partnership for Peace, which does not only help the applicant countries to prepare for membership in NATO, which does not only get the former Warsaw Pact countries closer to NATO, but which also provides a framework for building confidence between NATO and non-NATO member countries.

The fourth pillar of this envisaged security architecture in Europe could be regional arrangements like the Central European initiative with the participation of 10 Central European states including even NATO- and EU-member Italy or neutral Austria and some other countries. We emphasise that these regional security structures should not be considered as an alternative to the enlargement of the Euro-Atlantic institutions, but should have a role to promote Euro-conformity or Euro-Atlantic conformity of the participating states.

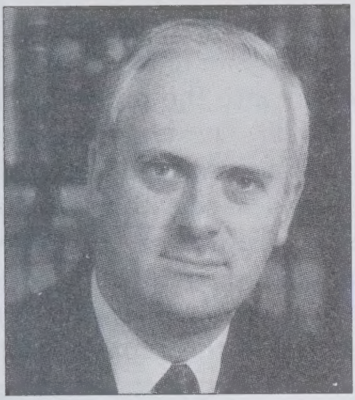
Last but not least the fifth pillar of this envisaged European security architecture could be the bi-lateral agreements between states in Central Europe like the bilateral treaty we concluded recently with Slovakia or the one that we are working on with Romania.

The all-European security architecture which I envisage would be based on the principles of the indivisibility of security and on the co-operation of the existing institutions, because it would function properly only if we eliminate any rivalry between the different security structures.

Ladies and gentlemen these are the views I wanted to share with you and I do hope that with your support, with the support of Canada, Hungary will find its way to the Euro-Atlantic integration. Yesterday, when I had the honour and the privilege of meeting your prime minister, he assured me that Canada would support Hungary's way into NATO and I do hope that one day it will not only be a reliable, predictable, and stable partner for Canada but also an ally.

Thank you very much for your attention.

The appreciation of the meeting was expressed by Alan Sullivan, President and CEO, Canadian Institute of International Affairs.



September 13, 1995

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

John Bruton, T.D.

Prime Minister of Ireland

IRELAND, THE EUROPEAN UNION AND CANADA

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, President, Curran & Associates and a Director, The Empire Club of Canada; The Rev. Bill Hockin, Rector, St. Paul's Anglican Church; Edward McConnell, Chairman, AFM Hospitality Corporation and Canadian Observer to the International Fund for Ireland; Paul O'Donoghue, Chairman and CEO, Marsh & McLennan; Ted McCollum, President, McCollum & Associates and President, Ontario Chamber of Commerce; Peter Davies, British Consul General; Barry Mawhinney, Ambassador of Canada to Ireland; William Chambers, Vice-President, Corporate Affairs, The Molson Companies Ltd. and a Director, The Canadian Club of Canada; Rowland Fleming, President, Toronto Stock Exchange; His Excellency Paul Dempsey, Ambassador of Ireland to Canada; Richard O'Hagan, Special Advisor to the Chairman, Bank of Montreal; and Libby Burnham, Q.C., Counsel, Borden & Elliot and President, The Canadian Club of Toronto.

Introduction by David Edmison

At first glance Canada and Ireland would seem quite different. After all, Ireland's entire land mass would fit easily into the province of Ontario. Yet in many ways, we are quite similar. Our countries are trading nations and our economies have, by necessity, diversified from relatively narrow agrarian roots. We are blessed with beautiful natural resources, our most enduring asset. We live beside large economically dominant neighbours who cannot help but exert influence over our general existence. As fellow members of the OECD, both our nations have been committed to the expansion of trade and freer access to world markets. Today, we face the pressures of competing in a global economy, while at the same time striving to maintain our individuality and culture.

Perhaps more important though and what makes us so similar is the "Irish" in all of us. I don't just mean our yearly ritual every March 17 when we wear something green and some sip green beer or shamrock milkshakes. It stems in part from our ancestry, those hard-working forebears, many of whom settled here during the famine in the mid-19th century. But also it comes from our love of the Irish myths, the stories, the songs, and the poems. Yes, the spirit of the Irish is thriving in Canada from coast to coast.

So it is with great pleasure I welcome to this podium the Prime Minister of Ireland, the Taoiseach, Mr. John Bruton. Our guest was elected the Taoiseach on December 15, 1994 by the Irish Parliament, the Dail Eireann. He leads a three-party coalition government comprising Fine Gail, the Labour Party, and Democratic Left. Mr. Bruton was first elected to the Dail as its youngest member in 1969. He has been involved in a number of portfolios including Finance, Agriculture, Education and Industry and Commerce. He was elected leader of the Fine Gail in November 1990, and has served as President of the Irish Council of the European Movement since that date. Mr. Bruton has extensive parliamentary experience and has authored several publications on parliamentary reform.

Recently Mr. Bruton has won plaudits for his efforts to resolve the issue of Northern Ireland. Together with Prime Minister John Major, he helped author "Frameworks for the Future," a 43-page document setting out a shared understanding between the British and Irish governments to assist the process of discussion and negotiation. A recent article in the Irish Independent described his coalition government's efforts saying: "The crowning achievement has been the collective skill with which all three leaders have worked on the Northern Ireland question, and on sustaining and strengthening the peace."

Ladies and gentlemen, would you please welcome our distinguished guest, the Taoiseach Mr. John Bruton, Prime Minister of Ireland.

John Bruton

I have the honour to address you today as head of the government of Ireland. I have come here to renew acquaintance with Canada, a country with which Ireland has many ties of kinship, and to pay tribute to its achievements.

Ireland has had considerable economic success. It was the fastest-growing economy in the OECD area in 1994. Total employment in Ireland grew in each of the years 1992, 1993 and 1994, and grew faster than the OECD average. Meanwhile, inflation has remained very low. The balance of payments has a surplus on current account. Our public finances are in a healthy state. This is a performance of which we can be proud.

An important factor in our economic stability is Ireland's membership in the European Monetary System. Europe will be moving to a full monetary union towards the end of the century and we in Ireland are actively preparing for this new development.

Over a thousand foreign firms have now located in Ireland, attracted by our well-educated, well-qualified work force, by our favourable tax environment and by our access to the single European market of over 350 million consumers. Among the Canadian firms are large industrial corporations such as Dominion Textile, Alcan, Westinghouse Canada and Northern Telecom. We also have substantial Canadian participation in the insurance, banking and retail sectors, including Canada Life, the Bank of Nova Scotia, Sun Life, Reed Steenhouse and the Weston Group.

I would invite Canadians planning investment abroad to consider Ireland as their European base. Some of the largest corporations in the world have done so. A move to Ireland is a move you will not regret.

European Union

For over 20 years now Ireland, through its membership in the European Union, has actively participated in and supported the increased strengthening and integration of Europe. Our membership in the European Union has been rooted in the understanding that the Union is the cornerstone of political and economic stability in Europe.

Within Europe the strength of the Union can be seen in the growing number of applicant member states which it is attracting. This year the European Union expanded to include three new member states. The 15 current member states of the European Union will convene an intergovernmental conference next year. The decisions taken at this intergovernmental conference will prepare to accommodate a future membership of possibly up to 30 member states.

The intergovernmental conference next year will, in effect, have to prepare a larger Europe for a smaller world. I have no doubt that in that context the European Union of the future will place even greater emphasis on continuing the development of its external relations.

As many of you here will know, the European Union's 15 member states rotate the presidency of the Union every six months. From July, 1996, Ireland will assume the presidency of the Union for its six-month term.

The presidency of the European Union is an opportunity to advance the agenda of the European Union in an effective and efficient manner. Clearly, Europe's transatlantic relationship is, and will remain, a very important priority.

Since 1990, EU-Canada relations have been guided by the Declaration on EC-Canada Relations. That Declaration recognised that transatlantic solidarity has played an historic role in preserving peace and freedom and can contribute greatly in the future to the continued stability and prosperity of Europe and North America.

The Declaration on EC-Canada Relations also acknowledged the fact that Canada and the European Union share a common heritage and are bound by close historical, political, economic and cultural ties. Both Canada and the European Union believe in the values of multiculturalism, human dignity, intellectual freedom and civil liberties as well as in the democratic institutions that have evolved on both sides of the Atlantic over the centuries. In addition to our shared commitment to the Charter of the United Nations, the EU and Canada share a commitment to strengthening the world trading system. Canada and the European Union member states are among the 81 founder members of the World Trade Organization.

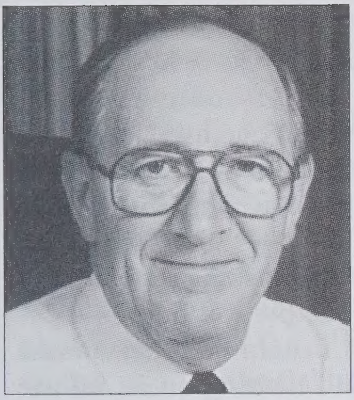
The European Union is Canada's second-largest trading partner. Canada accounts for 20 per cent of foreign investment in the European Union. The European Union accounts for 23 per cent of foreign investment in Canada.

Clearly the many and varied ties that bind Canada and the European Union together are important and will remain so. Ireland, as a member state of the European Union, will look forward to participating in the development of those relations over the period that lies ahead.

The appreciation of the meeting was expressed by Libby Burnham, Q.C., Counsel, Borden & Elliot and President, The Canadian Club of Toronto.

Head table guests Ted McConnell, Canadian Observer to the International Fund for Ireland and Rowland Fleming, President of the Toronto Stock Exchange with Irish Prime Minister, John Bruton.

Irish Prime Minister John Bruton signs historic Empire Club book, flanked by Libby Burham, President of the Canadian Club of Toronto and David Edmison, President of the Empire Club of Canada.



September 26, 1995

A joint meeting of The Empire Club of Canada and The British-Canadian Chamber of Trade and Commerce

Sir Bryan Nicholson

President, Confederation of British Industry

BRITAIN'S ECONOMIC PERFORMANCE

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Gareth Seltzer, Vice-President, Guardian Capital Advisors Ltd. and a Director, The Empire Club of Canada; Renate Mendes-Martins, OAC student, Central Technical School; The Rev. G. Malcolm Sinclair, Minister, Metropolitan United Church; Jane E. Standish, President, Customs Brokers Association of Canada; Ed Richards, General Manager and Canadian Chief Agent for The London Assurance (part of The Sun Alliance Insurance Group); Robert Dechert, President, British-Canadian Chamber of Trade and Commerce and a Director, The Empire Club of Canada; John Smith, Vice-President, British-Canadian Chamber of Trade and Commerce; Emily Martin, Vice-President and General Manager, Guinness Canada Ltd. and President, Canadian Association of Beverage Alcohol Importers; Howard Mann, President and CEO, McCain Foods Ltd.; and Peter Davies, British Consul General.

Introduction by David Edmison

William Chambers wrote in his Edinburgh Journal in 1840: "It seems mankind are forever destined to live under some alarming apprehension... at every interval of three, four, or five years, the community is plunged into the greatest tribulation from the number of bankruptcies and general mercantile stagnation, while ruin stares everyone in the face."

Mr. Chambers went on to quote some of the mistaken prophesies made during the previous century. For example, he quotes a Dr. Davenport who in 1699 wrote "that unless Britain cuts her annual tax income to 2,300,000 pounds, we should have upon us all the visible marks of a declining people." Chambers concluded that "the future must always lie hid below the horizon and if it rises charged with public calamities, they will doubtless be accompanied with their appropriate remedies and alleviations."

Had Mr. Chambers been alive to write during the 1970s, he might well have quoted many leading economists and business luminaries whose dire warning might have sounded very much like Dr. Davenport's 290 years ago. Indeed the economy of Great Britain was suffering from high interest rates, high inflation, high levels of taxation and low levels of foreign investment.

Well much has changed since then. British industry has been radically restructured and revitalised. In fact, recently Mr. Michael Hesseltine remarked: "We see ourselves as the enterprise centre for Europe" referring to the massive investment by Siemens in Tyneside. This change to a market-oriented approach has been facilitated by the largest employer organisation in the U.K., the Confederation of British Industry.

The C.B.I. represents 250,000 companies from all sectors of the British economy, which together employ 60 per cent of all Britain's work force. The C.B.I.'s aim is to ensure that government, national and international institutions and the public understand the needs, intentions and problems of business so as to create a climate of opinion in which commerce can operate competitively, both at home and abroad.

Quite obviously, the C.B.I. plays a vital role in ensuring the health and vitality of British enterprise. It is therefore not surprising that our guest, with his extensive business background was elected to be its president on May 18th last, a two-year appointment.

Sir Bryan Nicholson's career is an impressive one. After distinguished army service, he graduated from Oxford University, began his career in marketing with Unilever, and later moved to Remington. Joining Rank Xerox in 1972, he quickly rose to Chairman of the Board in 1979 and held this post for five years. Recognising his talents, the government invited him to chair the Manpower Service Commission in 1984, and he then went on to chair the post office from 1987 to 1992.

Sir Bryan is presently chairman of the holding company for Perkins U.K. Prior to his appointment to his position as President of the Confederation of British Industry, he served on the President's Council and led the C.B.I.'s task force on Educational and Vocational Training. This initiative made a major contribution to the skills revolution now underway in Britain. He subsequently became chairman of the C.B.I.'s Training Affairs Committee. Sir Bryan's contribution to the field of education has extended to his position as Chancellor of Sheffield Hallam University.

Ladies and gentleman, I ask you to welcome our special guest, a truly dynamic businessman, Sir Bryan Nicholson.

Bryan Nicholson

It is a great pleasure to be here in Toronto addressing such an important gathering. I must thank David Edmison and Robert Dechert for providing me with the platform to speak. I know I am following in some distinguished footsteps, including, I understand, no less than Winston Churchill's.

These are lively times to visit Canada. I'm told the new government in Ontario is already making its mark with a new direction for economic policy and a review of the general climate of business. It will be interesting to see how that turns out. And I see the national government is selling off most of its remaining shares in Petro-Canada. Promising ideas from both your main political traditions.

Travel, of course, is one of the perks of my otherwise unpaid job. And when it comes to matters of organisation, putting yourself in the capable hands of Her Majesty's Diplomatic Service is a pretty safe way of ensuring that things will run smoothly. But nothing comes free. And the price of an itinerary that runs like a well-oiled machine—and of being invited to lunches as fine as this—is a requirement to pitch up as a semi-official representative of Queen and country.

For some of my predecessors that must have been quite a burden. Back in 1974 with the three-day week, or even in 1980 with inflation at 19 per cent, it would have taken a braver man than me to stand here and tell you—without my fingers crossed behind my back—that things were going well.

Nowadays it's not so hard. We still may have a way to go to be right up with the best in the world. But we're moving in the right direction.

Those of you who follow the British economic scene will have seen that the recent news has been less cheery than last year, or early this. The growth rate of the economy is slowing down. Unemployment is not falling so quickly, but we still have a better record than most of the EU. Our trade deficit rose slightly. And inflation has stopped falling. Put like that you could begin to worry.

The U.K. economy has indeed followed a year of very strong growth, around four per cent in 1994, with a slower pace of expansion in 1995. We still expect growth of around 2.9 per cent for the year as a whole (still above the long-term trend rate), but there is concern that the latest evidence suggests that the slower pace of growth apparent over the summer will prove to be a more prolonged pause in the recovery than we initially anticipated. There has been a change of emphasis between economic sectors. Manufacturing output in particular is now growing very slowly. This reflects in part a reduced pace of export demand. By contrast, service sector output has continued to expand.

But we haven't given up hope yet. We are still relatively optimistic for our prospects in 1996. Consumers' disposable incomes are expected to increase, whether or not there are tax cuts in our annual budget in a few weeks' time. We are also anticipating an improved outlook for exports in 1996, as European growth moves ahead again and Sterling remains at a competitive level. With consumer and export demand rising, the prospects for investment growth are very favourable. We expect manufacturing investment growth to rise by around 10 per cent this year and next.

In fact, we have been quietly pleased with the course of this recovery. The traditional British exit from recession has been about as economically unvirtuous as you could get. Previous recoveries, we know, have foundered on the twin rocks of trade deficits and inflation. Whenever the economy has tried to grow at over three per cent for more than a year or two, we have sucked in imports, as our domestic industrial capacity was unable to cope with demand. Then came a sterling crisis, imported inflation, exaggerated wage claims and another recession.

This recovery has followed, for the first time, a different, more virtuous pattern. We've seen low inflation, rising exports, unemployment down, no pressure from wage inflation and improving government finances. Encouraging stuff.

The one missing feature has been favourable consumer sentiment—what has become known to the British popular press as the "feel good factor." It's understandable how it came about. Until recently disposable incomes had not been rising very quickly and people were running down their savings. At the same time, the prices of houses—the main personal sector asset in the U.K.—have remained relatively depressed and people's perceptions of their job security have been badly dented by the redundancies of the last recession. Understandable, but still a cause for some concern, especially in government circles.

There's always a danger of letting your upbeat theme run away with you in these circumstances. But I do think there are some genuine signs that our underlying economic performance has improved in important ways.

In some respects, our industrial performance does still leave a lot to be desired. Although the gap has been closing, our productivity remains, on average, behind that of many of our major competitors. Our investment rate is still lower than some. Our R&D record is nowhere near the best. But, as I have said, we are moving in the right direction.

Take productivity. The British work force had a pretty bad reputation in the past—in Britain at least. Back in the darkest days of the 1970s, we were almost in a different league to the Germans. No one could say that any more. Our manufacturing productivity has improved steadily since about 1980, after slipping back through almost all of the 70s. At its worst, we were barely more than half as productive as the Germans. Last year, we were back up to about 85 per cent of their levels. Still some way behind, but getting there.

And of course, those are average figures. It's a feature of our economy that there is a quite a disparity between the best and the worst. Our best companies are as good as the best in the world, and their productivity levels show that. The companies choosing to invest here clearly know that—and, in fact, it is their companies that demonstrate many of the highest levels of productivity.

Wage levels are another of our advantages. Not that we could hope to compete on dollars per hour with China or India or one of the other emerging economies. But when you compare like with like, among sophisticated industrialised production sites, we do pretty well, especially when you look at the all-in labour costs.

In Britain, for instance, the average manufacturing worker has a basic pay of US$11.56 an hour, actually slightly higher than in Italy, France, or even Japan, and not so far behind the German figure of US$15.70. But add in bonuses, social costs and the rest and German labour costs jump to US$28.58 an hour. In Britain, the figure is only US$15.98, less than 60 per cent of the cost in Germany and below Japan and most of Europe.

And while one of the reasons firms give for siting in the U.K. is often the quality and flexibility of the staff, overall our human resources remain a little patchy. We need to work harder on building strength in depth.

That is a record that I, and many others in the business community, have devoted a lot of personal effort to turning around. An ever-improving skills base is essential in today's climate and the C.B.I.'s work on education and training, which I led for some years, had a big part in putting in place a practical, business-led agenda for improvement.

There are three aspects in particular. A system of National Education and Training Targets. For example, we aim to get 60 per cent of the work force up to the equivalent of university-entry standard by the year 2000. Or by next year, all employees should be taking part in some training or development activities connected to work.

Second we have a coherent system of National Vocational Qualifications, which are now available to over 85 per cent of the work force.

Third, links between education and business. According to the OECD, this is an area where we now lead the world. Over 90 per cent of our secondary schools (for 11–18 year olds) have links with businesses, and so do the majority of schools for younger children. And it's not just numbers. The quality of these links has improved over the years. At first they were often relatively unproductive factory visits and talks from managers. Now it's more common to find rather more interactive and productive work shadowing or work-based school projects.

That means that not only is our work force becoming better educated, they are becoming educated in the ways that business wants. It's a long-term project, of course, but I think we can be quietly proud of the foundations we have laid for the future.

And relations between the work force and management—an area in which we once provided an object lesson in how not to do it—have improved in a truly remarkable way. Our nadir was the so-called Winter of

Discontent, which heralded in the current Conservative government in 1979. In that year, there were 20.5 million days work lost in manufacturing because of industrial disputes. In 1993, it was 100,000. In 1992, 60,000. That is an incredible turnaround.

And I think the bald figures are backed up by the general feeling of a better climate between management and employees. Unions' priorities are no longer trying to get every last penny out of management in the annual wage claim. These days the attitude is much more focussed on win-win strategies to improve the fortunes of the company: recognising that their members' fortunes stand and fall with those of the company. There really has been a change of culture from my early days in management.

All these changes in the U.K. over the last couple of decades have happened against the background of our increasing involvement in the European Union. Whatever the differences among politicians, British business is overwhelmingly committed to our EU membership. We see it as one of the critical elements in Britain's strategy as a global trader. Our economic links with Europe through investment and trade have grown steadily. At the beginning of the 70s, before we joined the EU, barely over 20 per cent of our trade was with EU members. Now it is over 50 per cent, and the picture is very similar for investment.

Not that that means, of course, that we have abandoned relations with our traditional Commonwealth partners, nor would we ever do so. Britain is and will remain a global trader. We remain the third-largest source of imports to Canada, behind only the U.S. and Japan. And I'm sorry to report that after briefly tipping the balance in our favour you've come back strongly in 1995 and we're back into deficit.

On investment we do even better. We are the second-largest foreign direct investor in Canada, behind only the

U.S. And, again after the U.S., we are the biggest destination for Canadian investment.

We can't afford to let relations with North America wither. And we can't let that mean just U.K.-U.S. or EU-U.S. relations. I'm in complete agreement with Foreign Secretary Rifkind's remarks the other day about the need for Canada to feature fully in the trans-Atlantic geometry.

Nevertheless with the potential in the EU of the largest single market in the world, it's essential for the U.K. to continue to play a central role in Europe and in shaping its future.

I cannot pretend that the EU is perfect. Not just the Commission, but national governments and businesses have been slow to respond to the changes in the global market that have brought increased competition from the dynamic emerging economies. But overall the balance sheet on EU membership is clearly positive.

Britain needs the EU, and the EU needs full and active engagement from Britain. John Major has emphasised our need to be at the heart of Europe, and I agree with him. We have a positive contribution to bring: it is Britain that has argued the case for the kinds of changes Europe needs if it is going to regain its competitive edge.

So where does all this lead us? It's all very well my telling you how much the U.K. has come on. If you were feeling cynical, you might even point out that it is my job to do so! But there is concrete evidence that the U.K.'s business prospects are more attractive than at any time since the end of the Second World War. People overseas clearly believe that too, as our outstanding success in inward investment shows.

Our position in Europe is obviously a factor. Siting production inside the EU gives you the biggest home market in the world. But we have been doing considerably better than most other European countries. From 1981 to 1991, Britain attracted in over £150 billion—we were second only to the U.S. in the world and over twice as high as

Spain or France. It accounted for nearly 40 per cent of the EU total inward investment. So there must be something in the improvements I've been sketching for you.

And there was a really spectacular increase during the 1980s. Until the mid-eighties foreign direct investment had never been over £2.5 billion. By 1989 and 1990, the net foreign in-flow was over £17 billion each year.

Just over the last few weeks there have been two huge new investments announced. Fujitsu are to invest £800 million in expanding their existing micro-electronics plant in the North East of England. And Siemens has announced plans to build a new £1 billion plus semiconductor plant also in the North East. It must say something about the relative attractions of the two countries when a German firm chooses to locate such a huge investment in Britain.

Jürgen Gehrels, the Chief Executive put it down not just to labour costs. For him the most significant factor was the flexibility of the British work force. He said: "We will be employing highly skilled engineers who are not cheap. But we can operate our factory for three shifts a day, seven days a week, without restriction. People will work long shifts here."

I don't want to blow our own trumpet too much or sound complacent. There's clearly still much work to do. Perhaps I should just mention a few of the C.B.I.'s immediate priorities for action.

I've already mentioned that, while the country as a whole is improving its productivity and industrial performance, there is still quite a gap between the best and the worst. What we need to work on now is getting the rest of Britain's companies up to the competitive levels of the best.

The C.B.I.'s National Manufacturing Council has made encouraging excellence and disseminating best practice the key to its mission. The next stage of this is going to be a nationwide benchmarking project that will give companies a hard measure of how they compare with the best in their field.

We will be continuing our push to improve the skills of the work force. Our immediate priority is to focus on ways to encourage employers to do more voluntary training of their employees.

And, although international communications—telecomms and physical communications—are good, internally, our transport infrastructure is not as good as it could be. We did a lot of work earlier in the year on establishing how we compared to other countries. Based on that, we are working on practical proposals for a national transport strategy.

We are fortunate in having a government that listens to business, so we know our proposals will get their attention. The government's macro-economic policy line is one we support and I think there is less difference of opinion over the general line of policy than at any time I can remember. Even the opposition speaks much the same language on broad economic policy. Let's hope this time we have all got it right! The evidence certainly points that way.

So I haven't needed to be too shy as I stood here before you this afternoon. I am lucky enough to be speaking as the representative of a country whose fortunes have turned, a country that is on the up. All I can hope is that my successors will be saying the same thing for years to come.

Thank you.

The appreciation of the meeting was expressed by Robert Dechert, President, British Canadian Chamber of Trade and Commerce and a Director, The Empire Club of Canada.

Sir Bryan Nicholson with Empire Club Director and Chairman of the Year Book, Ed Badovinac.

October 2, 1995

A joint meeting of The
Empire Club of Canada
and
The Fraser Institute

Gordon Gibson

Author

"THIRTY MILLION MUSKETEERS"

Chairman: **David Race**
The Fraser Institute

Introduction by David Race

Gordon Gibson

My purpose here today is to talk to you about the future of Canada, but I want to take you back 15 years just for a minute. Fifteen years ago, of course, was the last referendum we had in the province of Quebec. The federal debt at that time, and I could hardly believe this when I looked it up, was $70 billion. Today it is almost $600 billion. In the 1980 referendum the "yes" vote on a very, very soft question was only 40 per cent. Today it looks as though the "yes" vote will be somewhere between 45 and 50 per cent on a much tougher question. Back then, according to my recollection and with due adjustment for the fact that you always try to make the old days look better, I think people were generally happier with governments than they are today. In fact, I think for the last 15 years we have seen a massive failure of government in this country—most of which I would argue to you has been by the central government.

I heard a wonderful quote the other day from Catherine the Great, one-time Empress of Russia and she said this: “I am a despotic ruler. That’s my job—and God will forgive me. That’s his.”

Ottawa is and has been a centralised and very powerful ruler of this country and has always been forgiven by the public. I think that time may be coming to an end and that is what I want to talk to you about today.

Our situation in three opening statements:

Statement One: Canada is the best country in the world. We all believe that. We hear it often.

Statement Two: Canada is broke and still borrowing at a very high level. We have had our debt down-graded by Moody’s—an almost unbelievable event. Twenty-two per cent of all government revenues in this country go to the payment of interest on debt.

Statement Three: Over 40 per cent of the electorate of our second-largest province is going to say once again for the second time in 15 years they want to go away.

All of those statements are true, but the proposition I put to you is that they cannot continue to be true. They cannot mutually co-exist for very long and based on this situation I have two messages for you today.

The first is that major change is coming; that is not optional and we are better to manage it rather than let it manage us.

The second is that there is a win-win response to this challenge that can end us up with a stronger, happier country.

The first challenge, I think, perhaps not with this audience but certainly with most, is to convince people that change is in fact inevitable. We Canadians are now very conservative towards change. That is one of the major differences that’s come about in the past generation. We used to be a much more confident, vital society. Now we are a society that's looking to hang on to the good things that we have and are a little bit worried about it in this very competitive world. In that kind of political culture there's a resistance to even a consideration of change, if you look at how insistent people are on saying, "Don't change medicare—not even a little bit. Let's not talk about two-tier medicine or any of those things." There is this political culture that is risk-averse.

There are also operating in Canada today two "engines of change" that will make change happen, whether we want it or not.

The first is the regular political pressures which are stronger than ever today. I am going to give you politics in three parts.

Politics, part I, is a worldwide phenomenon—the immense forces of globalisation in economics and in trade and the competitive society. We're forever becoming part of a larger and larger world that makes us feel smaller and smaller. In communications and culture it's the same thing. If I try to define myself today, I try to define myself with what I see in my television set or my newspaper. Am I defined by O. J. Simpson or the news from Bosnia? It doesn't help me very much. Am I defined by the influx of goods from Japan—automobiles, VCRs—or the unemployment caused by jobs going to Mexico? It doesn't help me much either. Increasingly, people are looking for their identity close to home and that means the family, their groups, their clubs, their community, their churches and it also means governments, but only some governments. It only means governments over which people feel that they have some influence. That is a mega-trend towards decentralisation. People say, "I want more power over my own life and therefore I want more power over the government that's closest to me." There is so much evidence around the country that big government is faltering. Look at the situation in the fishery on both coasts of this country; unemployment insurance all over this country and the dis-incentives; the immigration situation; regional development; Aboriginal affairs; and, of course, the biggest failure of all is budget and the debt. In most cases it has been big government that has been at the root of these perceived problems and people are starting to get a sense of this. That's politics, part I.

Politics, part II, is the leaders of the day. I'm going to read off a list alphabetically of people who have something in common and it will be seem incongruous at first: Bouchard, Charest, Harcourt, Harris, Daniel Johnson, Ralph Klein, Preston Manning, Parizeau, Wells—very different people but everyone of them in their own way (we may approve or disapprove of those ways), is calling for significant change in this country of ours and the common thread between all of them in the direction of that change is decentralisation. That's an interesting observation.

Politics, Part III, is the regional tensions that aren't going away and those are in British Columbia, Alberta and perhaps even in Ontario, in your recent politics. The Quebec situation is best known to us of course. The referendum result, according to the polls, looks like being something between 45 and 50 per cent for the "yes." So we get a "no"—but there's a problem with that. Because after all the comforting theories about the demographic trends and how this is the last gasp of the separatists and so on, any "yes" vote in excess of 43 per cent has inside it a French-Canadian majority. So what? Democracy still rules, but the what is that it is open to an exploitation of a sense of tribal humiliation at the time of the next provincial election. It is very likely to result in a re-election of the separatist government just as Rene Levesque after he lost the referendum in 1980 was re-elected again in 1981. So we have the prospect of a separatist government in Quebec dedicated to proving that Canada can't work—continuing not just until 1997–98 in the current term but indeed perhaps thereafter. That's a worry—something we have to deal with. British Columbia and Alberta are becoming increasingly restive under the federal system, Alberta, in particular, wanting to go its own way in social programmes, in medical care. In both provinces, at least as I see it as a Westerner, Ottawa is now perceived as a part of the problem and not a part of the solution.

So all of these are "engines of change" driving towards decentralisation and this is sort of familiar to us, even though the pressures are stronger than they used to be. However, there is a brand new engine of change—what I call the financial engine of change Projections based on a set of reasonable assumptions, which includes a constraint that the deficit in this country must be brought to zero by the year 2000, show a couple of quite amazing things. Incidentally as you know, Paul Martin only included a two-year forecast in his last budget which was a change from the usual five-year forecast. After doing my own five-year forecast, I can see why. The news about five years out is really very startling. It shows that if you maintain equalisation which is provided for in the Constitution and a Canadian icon, if you maintain payments to seniors, if the UI programme works more or less as it has in the past, and if you make reasonable assumptions about interest rates and a recession two or three years down the road, you find the federal government driven to shrinking its programme transfers for health and social services to the provinces, to zero. They were $17 billion only last year and beyond that you see actual cuts in federal departmental spending of over 30 per cent.

This has extremely serious implications for the usual way that we have run this country. I will get into the implications in a moment. I first of all want to address those who would say, "Well the deficit doesn't really have to go to zero." After all, the Liberal Red Book, that famous book, has indicated a target of three per cent of GDP, as an appropriate ongoing level of deficit. Well, ladies and gentlemen, that extends our debt by a further $100 billion in every four-year term of government. I don't think that's possible in today's circumstances. That extra $100 billion in debt means an extra $8 billion in money that has to go to interest and isn't available for pensions or health care, or any of the other things we want. So I think it's unlikely, just for that reason, that this can be continued. You can make a theoretical case, which I could agree with, that it's appropriate to have a small continuous level of deficit on the grounds that you're investing in the country. You can talk about building roads and bridges as actual investment and as long as you amortise some of it you can capitalise some of it too, but nothing like at the current ratios.

There are at least four reasons why this deficit has to end. The first is vulnerability and Moody's gave us a picture of that when they downgraded our debt. To downgrade Canadian dollar debt when we can print our own Canadian dollars is a phenomenal question of confidence in this country. The reason they did it of course was they say: "What happens to all these fine forecasts when the next recession hits?" So vulnerability to a business turndown is the first reason why this has to stop.

The second reason, perhaps strange to use in a political contest, is morality. It is simply not moral what we are doing to our children in terms of this level of indebtedness that we are leaving them and this is increasingly being said.

The third, which is more natural in politics, is that fiscal responsibility now has multi-party agreement and you can look at Frank McKenna and Mike Harris and Ralph Klein and Roy Romanow and they all say the deficit has to go to zero and fast. Some of them have actually done it and it wins elections.

As far as practicality goes, the crippling impact on government of the existing levels of debt, particularly for an activist government like the federal Liberals, removes all flexibility. Over one-third of sustainable federal expenditure now has to simply service the interest burden. This has to be reduced. You can't go on paying interest at $100,000 a minute which is what we are doing today. I take it as a given that whether the deficit goes to zero in the year 2000, 2002, 2005, it doesn't make a whole lot of difference except you've got a higher debt level at the end. That deficit is going to go to zero and we are then going to be pushed into the changes in Canada that I will now outline.

What are the implications?

Well, apart from the cut in federal programmes which will distress anyone who benefits from them, we will see the end of national standards or so-called national standards. Of course they are really Ottawa standards, imposed on the provinces by Ottawa's expenditure of money. Without money they're gone. There are implications for this—on mobility for example. People will be more reluctant to move if their benefits are not portable. On the other hand, they will have incentives to move if the poorer provinces can't afford those benefits any more. So you've got puts and takes there. You have that possible and much feared by social activists so-called race to the bottom, where provinces systematically cut their welfare benefits in order to discourage people from moving into their provinces. You certainly have a major undermining of support for the old concept of a strong central government because Santa Claus is dead.

There's another, as I went through the numbers, very surprising unwelcome shift in incomes in Canada from a transfer from the young and the poor to seniors. Why should this be? Ottawa's main contact with people, directly with people, is through the UI programme and the pension programme—payments to seniors. I think you can take it as a given that Ottawa will hang on to that payments-to-seniors jurisdiction and at its current level for just as long as they possibly can. It's a political given. But as those transfers to provinces get cut back, that $17 billion financing social programmes last year, that I say is going to zero, what do the provinces look after in this country? The big three—health, education and welfare. Health is the sacred cow. It won't be cut; it won't be touched very much. Education and welfare are the provincial areas that are going to come under pressure from this new fiscal regime. Who's education and welfare? The young and the poor. This is a startling phenomenon that I try to address but it is what happens in the no-brainer approach if we just back into the future.

My summary of what I call the drifting status quo is increasing political tension, because of the factors I mentioned earlier, threats to portability, mobility and national standards, unnecessarily high interest rates because of the political instability and lower-than-potential growth. I'm not going to talk at all about the second possibility of where we are going. It is also discussed in the book—what I call discontinuity, an adverse referendum event or hitting the wall on the debt side. I'm going to pass over to the third area which I call intelligent restructuring.

In designing the new shape of government, in "Thirty Million Musketeers" I have an extensive chapter on the goals of Canadians and the bottom-line of that chapter is that our goals vary regionally. We have a conservative mainstream in this country but on top of that we have a couple of other very different elements. We have an ambitious group of newcomers in this country—immigrants to Canada—which have totalled four million in the last 25 years plus the children they've had since they've been here. This is now a large cohort of the Canadian population located largely in Montreal, Toronto and Vancouver. These new Canadians care little about many of our traditional themes—two founding nations, Aboriginal affairs, what are you talking about? They've come here for the future, not the problems of the past. Then you have a nationalism in various parts of the country—the nationalism of French Canadians, the nationalism of Aboriginals and increasingly the nationalism of Westerners. All of this has combined to highly differentiate our packages of goals in one part of this country and another. With what once seemed so homogeneous, the implication is you need regional policies for regional goals.

Another aspect of goals. The concept of fairness has always been very strong in Canadian politics but it has meant different things. There's the classic Liberal definition of fairness which has been the idea of equality of opportunity. Everybody deserves an equal start. Then there has been the classic socialist notion of fairness which is equality of results. Everybody deserves an equal end. There's what I suppose might be called the classic conservative notion of fairness based on rewards according to merit, to effort, and thrift and talent and not rewarding incompetence and laziness. Then there is what I call the process people who believe that if you have the right incentives and the right marketplace whatever comes out at the other end will be good. One of the differences incidentally between a left-wing person and a right-wing person is whether they think the right marketplace is the political marketplace which the left-wing person tends to like or the private marketplace which the right-wing person tends to like. Once again, the mix of these approaches to fairness varies considerably across this land. One size does not fit all. That's another reason in my opinion why decentralisation, which brings decisions closer to home, is one that is now more consistent with the changing Canadian goals.

In terms of design options as we try to invent a new form of government for this country, I'd like to talk about what I call a real constraint, then a phony constraint, and then some models from elsewhere we can look at and then an impossible dream which is the sovereignty-association option.

In terms of the real constraint, I take it as a given that Canada should stay together for the following reasons which I underline everyone agrees on. Sovereignists agree on these reasons as well as the most ardent unity-type persons.

The first reason is trade and what Parizeau calls the Canadian economic space. This is worth a lot of money to all of us to have this Canadian economic space and it would be madness not to preserve it.

The second is assistance with identity. Canada means something. It means something in this world. All but 22 per cent of Quebeckers think that the Canadian passport is something that they would keep and they must keep and it's important to them. The rest of us feel much the same.

The pooling of risks. Being together in a vast country with many different micro-economies makes it much less likely that all of them will fail at the same time. There will always be a pooling of risks there, that insurance factor.

The psychic space. It is somehow worth something to me to know that I can get on an aeroplane in Vancouver and fly all the way to St. John's and I don't need to cross a border. If I go to Seattle I have to cross a border. That is worth a lot.

The economies of scale and central government, things that are necessarily central, like defence and the currency—the Canadian dollar. This is also extremely important to all of us—so important to Jacques Parizeau that even at some inconvenience and some embarrassment to himself he insists he's got to continue using the Canadian dollar. Canada then clearly should be some kind of federation. The separatists say, "Well yes but the kind of federation it should be should be sovereignty association." The real question is how decentralised should that federation be and how unified should it be in which areas? That is the real constraint. We must stay together.

The phony constraint is this. The second chapter in "Thirty Million Musketeers" I call "Scarecrows and GFOs." The GFOs are genuinely frightening objects. A scarecrow of course is a phony threat that is put out in the fields by a farmer to scare the birds and a political scarecrow is a phony threat that's put out in debate to scare us. One of the scarecrows that you hear out of Ottawa frequently is that Canada is the most decentralised country in the world and if you try to push it any further it'll fall apart.

I want to deal with that because it is just not true. The best way to demonstrate it is not true is by counter examples. Switzerland, for example, is a far more decentralised country than Canada is, but let's go even further. Let's go to the European Union which is 15 nations of highly different and impassioned sovereignties that are coming closer together all the time and have new applicants for membership in the club all the time. Even something that decentralised isn't flying apart. I have no doubt that we can in fact decentralise Canada a lot and not threaten our national continuity. I mention that because it's an effective scarecrow that a lot of people believe.

In the book I run through some models in different parts of the world. I talk about the United States, which is even now quite centralised compared to us, because of their triple-E Senate, direct election of the President and their congressional system of political entrepreneurs that work for the folks back home and not for their party and so on. There are many elements in the United States that we aren't going to import.

Switzerland is really quite decentralised and it is really worth a lot more study by Canadians. It is a much smaller country than ours but one with four languages and 26 different governments. Their political culture is co-operative, not adversarial and not personal. Nobody knows the name of the President of Switzerland which is not surprising because the President changes every year. They rotate it in their cabinet of seven people. There's a tremendous amount of concurrency and required co-operation and a very large private sector I might add. I'll never forget I was in Switzerland doing research some years ago and our ambassador there held a small luncheon. I was sitting next to the head of the postal union who was a socialist I assume. He said, "You know, there's a terrible problem in Switzerland. The people are rich and the government is poor." I thought, "What a nice problem." I didn't indicate to him that we had found a cure for that problem in Canada. In that country the central government spends only 30 per cent of all money spent by governments. In Canada our central government currently spends 45 per cent. So there's an example that works.

There's another example that is a little frightening for us and that's the example of Belgium. We haven't in Canada followed this very closely, but over the last 20 years Belgium has gone from a relatively centralised country to a country that is so decentralised there is almost nothing left at the centre. The two main regions are even empowered to enter into treaties with other countries at their own level of confidence without going through the centre. In the process incidentally they have accumulated an incredible level of central government debt—much like Canada in the process of attempting to bribe the regions to stay happy over the years. So Belgium has decentralised in order to survive but it did it so late that what is survived is hardly recognisable—a bit of a caution for us.

The European Union of course is very decentralised. Their central government or their union government spends only one per cent of their union GDP. Our central government spends 20 per cent and there are no lessons from the European Union for us in terms of the central government or Parliament. We wouldn't like the way they do that but there are a couple of lessons. One I indicated before is that a very decentralised entity can still grow closer together over time; and secondly their mechanism for co-ordination between governments which is their

Council of Ministers, to which I am going to come back to when I talk about the answer for Canada.

Finally under this comparative section I want to talk about what I call the impossible dream because in many ways what is going on in Quebec in terms of the question is very unfortunate, almost cruel. The people of Quebec are being offered something that can't happen and even if it did happen it wouldn't work. It cannot happen because to enter into a sovereignty-association arrangement with the rest of Canada, one would require constitutional amendment, because it would have to be done lawfully and by agreement, so every part of Canada in other words would have to go through this constitutional amendment process. Any constitutional amendment required in British Columbia has to pass a referendum in our province. There's not a chance, not a whisker of a chance, that a sovereignty-association referendum would pass through the people of British Columbia. It's probably true in many other provinces so this is just not on and it's not right to tell people that it is a possibility. But even suppose it could happen, suppose a sovereignty-association deal could be put together, then we would have a bi-polar state. Every bi-polar state that I know of in history has broken up in due course. Things have been fine for a while, then the heat comes on and the people get unhappy with each other. Sweden and Norway. Denmark and Iceland. Austria and Hungary. The United Kingdom and Ireland—that was a different situation. Singapore and Malaysia—Malaysia was a federation but Singapore really was a pole off by itself. The Czechs and the Slovaks. There's always the same reason. The larger entity always feels that the smaller entity is being coddled, spoiled, looked after in a special way and the smaller entity always feels overwhelmed and put upon by the larger entity and in due course they break up. So this impossible dream, as I call it, is a solution that is just not there for Canada and the people of Quebec in my opinion. In looking for their own desirable future they should be looking at a decentralised Canada rather than an impossible dream.

The Canadian solution, that I come to in the book, is one that is based on decentralisation, and co-ordination. They're the key words in reconciling our differences and also looking after our common interests. Before describing this solution, let me say two things.

First of all the best decentralisation, where you can do it, is privatisation. It is not to another government at all. It is: Get that function out to the private sector if you possibly can.

And the second best kind of decentralisation is not from Ottawa to the provinces but rather to the local communities.

Those are the two best ways to go. What my book is about and what this presentation is about, because that's where the real power lies at the moment, is the federal-provincial relationship.

The next thing I would say is we can't change the Constitution for now. It is just not possible. Our constitutional amendment process is very complex and there are too many pressure points for people who want to stop things to throw sand into the gears. That's not going to happen. We have to find ways where we can proceed by administrative reform, by agreement.

The first and the greatest challenge in this new world, this new financial world in particular, where Ottawa is no longer able to enforce national standards, is to find some way to develop and co-ordinate national standards, portability and mobility among the provincial authorities which have the actual constitutional responsibility for health, education and welfare. And the device for doing this that I recommend in the book is a new body called a federal council, where the provinces would meet as provinces and debate and take votes on things that touch the provinces. This is not a device to regulate the central government. That's Parliament's job. This is a device to co-ordinate and regulate the provinces. This is not a new idea. It is a meeting place, as I said, to agree on national standards and provincial jurisdictions. If you look at health, education and social services I think the probable outcomes in each of these areas would be a definite national base—something that all the provinces agree this is the absolute foundation of what any Canadian is entitled to. I then suspect the provinces after that would go their own ways and have variations. This isn't a bad thing because part of the whole idea of federalism is to allow different solutions for different local needs. There would be provincial add-ons, there would be agreed definitions of services and there would be provisions for portability. This is a huge issue which would keep this federal council busy for quite a while but there is a couple of other things they could do. One is sharing comparative data and experience. Provincial governments know a lot and typically they don't consult with each other as much as they should. If they had an institutional framework to do this they'd do it more. Think what a shame it is that we don't have genuine comparability among our provincial budgets. What an excellent thing it would be if provincial treasurers could no longer use the smoke and mirrors they do but rather have a single publication by this federal council each year summarising in the same accounting framework the provincial budgets from across the country. You'd start to get a bit more accountability through this kind of device. The federal council has another job. It could by agreement empower Ottawa to look at some of the areas of interprovincial trade where it does not now have jurisdiction. I think the provinces might give up some of these powers again by agreement and not by constitution because they've simply been unable to make enough progress among themselves and they need somebody else on the outside to be the bad guy. There are many issues in the federal council—the question of what powers of enforcement it would have, the voting rules, particularly the issue of accountability and transparency. In the European Council of Ministers there's what they call the democratic deficit—executive federalism we call it in Canada—where decisions between government representatives are taken in secret and not accounted for and there is no transparency in the process. We'd have to build that in. There's challenges in this mechanism but we are going to have to do something like this to co-ordinate our provinces.

What about new roles for Ottawa? Well as I mentioned before, there should be strengthened common market and economic management powers via the federal council. And then there is a very exciting new role I would like to see for Canada. I'd like to see the Canadian government, Parliament, Ottawa get into the business of not running public programmes in the provinces but measuring public programmes. It would be an excellent thing if the people in any given province could say: "Well we rank here in this particular aspect of education and there in that aspect of education and we are kind of falling down in the delivery of hip transplants but we are doing pretty well in some other aspect of health." Get some real competition going across the country with Parliament as the conscience, as a policy auditor of this country, and this would be most uncomfortable for provincial governments but very, very good for citizens. I know, as a former member of an Opposition in a provincial legislature, how I could have used that information to get my own government to pull up its socks by saying, "You're just not doing as well in Ontario in that particular role."

Another aspect of a new Canada I think we have to look at is our current programme of equalisation which is very large at $9 billion a year. As Dan Usher of Queen's University has put so well: "Equalisation which is designed to subsidise poor provincial governments really in many ways taxes poor people in rich provinces to assist rich people in poor provinces." When you think about it that doesn't make a whole lot of sense. Maybe we could change the equalisation programme from a programme to help governments to a programme to help people. This would be a revolution in Canadian politics but potentially a very important one. The classic federal issue is the division of powers.

There's a thousand versions of how things could shake out but this slide is my version—my version of what would be a useful reconfiguration of powers in this country. The federal government should never have taken a voice in some things under the provincial column like housing, mining, tourism, youth sport and energy. Income support including UI and employment training will be much more controversial. It will be a big shift in power. If you think about all of the difficulties in the unemployment insurance programme of today those difficulties would not be there if those programmes were individually run by the provinces. They would simply have to be genuine insurance programmes which is what they were supposed to be in the beginning, and not a system for ineffective regional acquisition of votes for the federal government. Under the concurrent section, there's the transfer of fisheries to the provinces. Incidentally the initial after each caption, in this case P, means provincial paramouncy or federal paramouncy. Paramouncy means who has the last word. So fisheries for the provinces, culture. Aboriginal affairs—I think the provinces would do a better job. Under the federal heading I mentioned strengthened trade policy and performance auditing. As I say there are many possible configurations and the important thing is not to say that's the way it should be but to say things are going to have to change and then the question becomes: "How do we get there?"

I'll conclude on that note—how to get there?

All that we can do is to start to talk about it. It is that simple, but we have to talk about it and then ask our governments to apply a principle. There's a key principle over all of this and that's what the Europeans call subsidiarity—a 50-cent word for saying decisions should be made at the lowest level of government that's capable of taking and financing those decisions. The provinces should set up programme reviews of the type that the federal government to its great credit did in working up to the last budget and has underway again and the essential question asked in a programme review is: "Does any government have to do this job, whatever it is and if the answer is "yes" which government?" The provinces should set up their mirror-image committees of this process and, after all, the experts in government tend to be in governments. They should work with each other and they haven't in the past. They're starting to. There are some good examples in fisheries and in transportation. I have to give great credit to the federal Minister of Transport, Doug Young, to the decentralist approach he's brought to his department. There's not a total unwillingness there and it's going to be driven by this terrible financial pinch that the federal government's in. Let the provinces start an embryonic federal council. They don't have to call it that. They can just say: "Let our representatives in Ottawa sit down and have lunch once a week and talk about this and talk about that and let's see how it works and get it going." The key thing here is leadership, whether the leadership is by Ottawa or an influential province; it doesn't matter. In the end it is up to us. It is our job if we believe in these things to reinforce and to prod the politicians who have the ability to show this kind of leadership.

Canada is the best country in the world but with our present financial and political trends, unless we do something about it, it soon won't be. The general solution I'm absolutely convinced is decentralisation, government closer to home and if enough of us believe this and demand this, in the end that pressure will make it happen.

That's my message to you today and I'll be very glad to take any questions.

The appreciation of the meeting was expressed by David Edmison, President, The Empire Club of Canada.

Several years ago the Abbot of Notre Dame des Dommes monastery was quoted in "Fortune" magazine. He was asked why the monks made muscaline, a high-protein food for mountaineers. He replied: "Our ambition is not business, but to love God. To love God, one must live. To live one must balance one's budget."

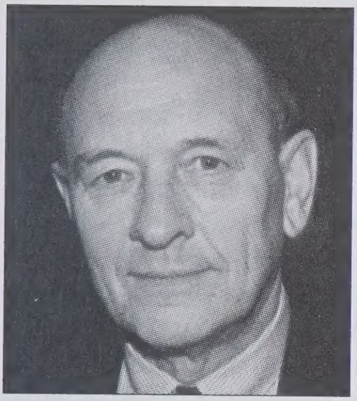
I think we can all learn a lesson from the Abbot. In order to live the lifestyle to which we have all become accustomed, we must balance our budgets. An ancient Roman scholar once said: "Debt is the slavery of the free." Recently, in Canada our preoccupation with the national debt has taken a back seat to the sovereignty issue. Mr. Parizeau tells us the matter of Quebec independence will not go away; it will continue like a never-ending visit to the dentist. Unfortunately our debt situation will not go away either and it's beginning to look like we need a root canal.

Mr. Gibson, in your address today as in your book, you clearly state where we will end up if we continue along our current path. You offer constructive solutions, both economic and political to the problems we face. I think your extensive political background adds more credibility to this work than would be the case if it were authored by someone solely connected with the business community. You have travelled your own road to Damascus and been converted to the tenets of prudent fiscal management. Your background as an honours mathematics major lends credibility to the figures you present. It has also no doubt given you a healthy respect for the power of compound interest.

I suggest everyone, who is concerned about the debt problems we face, read our guest's book. Then, we may all become musketeers, and join in the public debate about what kind of a Canada we are leaving to our children. In 1904, Sir Wilfrid Laurier said: "The 20th century belongs to Canada." If we don't act on these pressing issues now we run the risk that Canada will belong to our creditors before the century is out.

Mr. Gibson, you have given us a great deal to think about today. On behalf of the Fraser Institute and The Empire Club of Canada, I thank you for sharing with us your insights and I wish you all the best in the sale of your fascinating and important book.

David Race representing the Fraser Institute chats with guest speaker, Gordon Gibson, and Empire Club President David Edmison.



October 5, 1995

A joint meeting of The Empire Club of Canada and The Atlantic Council of Canada

General Vigleik Eide

Former Chairman of the Military Committee of NATO

THOUGHTS ON NATO

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Bob Papanikolaou, OAC student, Northern Secondary School; Julie Lindhout, Team Leader, Program Policy Support Team, Ministry of Education and Training and Vice-President, The Atlantic Council of Canada; Dr. Antonio Rodrigues, Chairman, Atlantic Education Committee; Dr. Edward Neufeld, former Senior Vice-President Economic and Corporate Affairs, Royal Bank of Canada, Director, Canadian National Railway and Director, The Atlantic Council of Canada; The Rev. Canon Harold Roberts, Rector, St. Timothy's Church, Agincourt and a Past President, The Empire Club of Canada; Michael Wingrove, Vice-President, Westwood & Best Software Corporation; Edward Crawford, Chairman, Canada Life Assurance Company and Chairman, The Atlantic Council of Canada; His Excellency, U. Haluk Bayulken, former Ambassador and Defence Minister of the Republic of Turkey and President, Atlantic Treaty Association; John Woods, City Auditor, City of Toronto and a Vice-President, The Atlantic Council of Canada; Edward Badovinac, Professor, Electronics, George Brown College, a Director, The Empire Club of Canada and a Director, The Atlantic Council of Canada; Ronald Goodall, Partner, Goodall & Peacock and a Past President, The Empire Club of Canada; His Excellency Jean Beliard, former Ambassador of France and Secretary General, Atlantic Treaty Association. and Robert Spencer, Professor Emeritus, University of Toronto, President, The Atlantic Council of Canada and Vice-President, Atlantic Treaty Association of Canada.

Introduction by David Edmison

Six years ago we watched with great excitement the dismantling of the Berlin Wall. It was an historic moment which hailed the triumph of freedom and democracy over collectivism and centralist ideologies. It also marked a victory for the Atlantic Alliance which throughout the post World War period remained cohesive and strong.

The "Iron Curtain" collapsed under the weight of a political system which proved incapable of meeting the challenges of a modern age. In the aftermath was left a populous hopeful in their new-found freedoms, yet insecure in how to deal with the harsh new realities. The subsequent break-up of the Soviet Union has ushered in a host of new socio-economic and political problems and peace and security in Eastern Europe remains fragile. Accordingly the need to strengthen our NATO alliance remains as real today as it was when it was founded 50 years ago. John F. Kennedy said: "The 1930s taught us a clear lesson. Aggressive conduct, if allowed to go unchallenged, is aggression unleashed."

Perhaps one of the greatest challenges for NATO and the United Nations peace-keeping efforts is the civil conflict in Bosnia. It is difficult to view the extensive media coverage without mixed emotions. We feel frustration at the seemingly intractable positions of the insurgents; we feel fear for the possible extension of war to other regions; we feel anger that our peace-keeping forces could be used as human shields, and we are numbed by reports of ethnic cleansing. The situation is serious and the future role of peace-keeping troops is unresolved.

Our guest today is a man of authority to comment on the concerns we may have about the situation in Bosnia. From June 1993 to January 1994, General Vigleik Eide was Special Advisor to the UN Negotiator in the former Yugoslavia and was Deputy Special Representative of the Secretary-General of all UN Operations in this region. His background is impressive.

After graduating from the Military Academy in Norway in 1957, General Eide initially served as an instructor at an infantry training centre and later as Company Commander at the School of Infantry. He received a number of staff appointments, was involved in officer training and was head of the Norwegian Army Long-Term Planning from 1969-1970. After serving on the Directing Staff at the Army Staff College he was appointed Commanding Officer of the garrison in Parsanger and commanded this battalion group until he was appointed Commandant of the Army Staff College in 1978. In 1983, he was appointed Chief of the Army Staff in the rank of Brigadier. He was soon promoted to Lieutenant General and became Commander Allied Forces North Norway.

From August 1987 to September 1989, he was Chief of Defense Norway in the rank of General. In the period from September 1989 to January 1993, our guest held the highest ranking military position in NATO, as Chairman of the Military Committee.

General Eide retired from active service in March 1993, and is presently active as a Strategic Industrial Advisor at an Oslo-based think-tank engaged in security policy research. Our guest has received numerous decorations during his distinguished career.

Ladies and gentleman, I am honoured to present to you our guest, General Vigleik Eide, who will speak to us about peace in a troubled world.

Vigleik Eide

Presidents, Your Excellencies, ladies and gentlemen:

Let me first say how honoured I am to speak here at The Empire Club of Canada, how good I think it is to have this occasion together with the Atlantic Council of Canada and how nice it is and how useful it is to have the 41st General Assembly of the Atlantic Treaty Association here in Toronto.

It is in fact good to be back in what I would call the NATO group in this Atlantic Treaty Association. The world around us has really changed and while the immediate threat to our security has been reduced or gone away the advantage of co-operation and the advantage of solidarity has not been reduced. I'm going to talk to you about NATO's post-Cold-War crisis management. In my view that is going to be crucial to the peace of the future and I'll touch on the co-operation with the United Nations. I know that Canada has played quite a role in the UN peace-keeping operations over the years.

It's going to be a personal view. I'm not going to comment on recent developments since I left NATO almost three years ago. You may ask what a retired general has to offer you here at The Empire Club or at the Atlantic Council. Retired generals should keep their heads down and not speak too much. I would like to say that the trick is you have to be retired and still not be retired. I see a lot of people in the audience here doing a marvellous job supporting the Alliance and using their vast experience to promote the co-operation and the continued solidarity of the Alliance. I would like to praise them for their job.

This trick of being and yet not being reminds me of a colleague in the Military Committee of NATO, a Danish representative, who used to quote a Danish poet. I will attempt a small quotation from that poet and the unifying opposites: "I deeply disagree with Shakespeare's bright suggestion: 'to be or not to be that is the question.' The truth has dawned on me, his faithful lancer, to be and not to be, that is the answer." I think it is rather appropriate to be retired and still not quite to be retired. I won't shy back from giving you my personal comments. However I do hope this quotation is not also blind to the future of NATO because I would certainly like it to be and not not to be.

As Chairman of the NATO Military Committee in the period as mentioned, September '89 to January '93, I had the privilege to be part of what I see as a crucial process of change—change in the security environment of Europe and change at NATO. Today it is remarkable. Only a few years later we seem to take the momentous changes from 1989 to 1991 as quite natural. We seem to regard it as an easy natural process with a guaranteed successful outcome.

Back in the late fall of 1989 and the winter of 1990, however, the events did not look natural or self-evident and the outcome was not seen as without grave risks that events might get out of control. It was not commonly realised in the beginning that we were in the midst of a real security earthquake that would fundamentally change Europe, maybe even more than we have seen since the Revolution back in 1789. Some commentators in this period fell victim to uncontrolled euphoric optimism and predicted the end of all conflict or peace for even longer than our time. The peace dividend was seen as the panacea for all yet uncovered budget requirements in our societies.

In this crucial period NATO demonstrated a remarkable ability to adapt and to live up to this challenge of change. On the military side, which I know the best, a comprehensive review process was started, taking on intelligence assessments, strategy, force structures followed by a comprehensive review of command structure. The NATO summits, heads of states and government, in December 1989 and in July 1990 gave the necessary political guidance. The reviews were carried out in a remarkably short time and the revised strategy was approved at a NATO summit in Rome in November, 1991. This strategy, while retaining the necessary military strength to safeguard against the risks during the dismantling of the Warsaw Pact, and later the dismantling of the Soviet Union itself, as well as the withdrawal of the Soviet or later Russian forces, clearly recognised the need for crisis management and for more flexible military forces to carry out that strategy.

When looking back on this period with the advantage of hindsight we see more clearly that in this very early post-Cold-War period some fell victim to another euphoric variant: with the end of the East-West confrontation and a more co-operative mood among our new partners all crises could be controlled and managed. A new world order was dawning. You may recall comments like that. This may have misled the public and even some political leaders to believe that international organisations were destined to settle all conflicts and create this worldwide order. A plethora of international organisations seemed to seek their role in this new game. In Europe the Conference of Security and Co-operation in Europe and the Western European Union were trying to define their role. Globally the United Nations took on more peacekeeping operations in a few years time than it had done in the whole of the previous 40 years. NATO remained, however, the only organisation with a well-developed and credible military capacity while it confirmed its political role, not the least in the North Atlantic Co-operation Council and the work with our new partners from Central and Eastern Europe.

In accordance with this new strategy and the growing importance of crisis management, as the situation in the former Yugoslavia deteriorated, it was a natural consequence for NATO to offer its capabilities to assist in managing this crisis. In June 1992 the North Atlantic Council foreign ministers met, agreed to offer NATO assistance to the Conference of Security and Co-operation in Europe, an offer soon to be formerly given also to the United Nations. It should maybe be noted here that NATO, during the Gulf deployment and the Gulf War of 1990–1991, played a major role in support of the operations as well as in crisis prevention and crisis management by strengthening the southern flank of NATO, with command, control, communications, air defence and surveillance, as well as considerable strength in mine counter-mission capability in the Mediterranean in order to discourage any temptation by Sadam Hussein to threaten NATO territory.

In the former Yugoslavia, NATO has been blamed for not acting decisively or aggressively enough. However, whenever NATO was asked by the United Nations to take on some specific military mission it did so resolutely and effectively. I will give you some examples. The economic embargo against Yugoslavia, Serbia and Montenegro was effectively monitored and later controlled in the Adriatic. The operation Maritime Monitor, Maritime Guard and

Sharp Guard. The no-fly zone in Bosnia was controlled with substantial effort and since late 1992, early 1993, NATO has continuously planned and updated its plans to deploy NATO troops on the ground to help enforce a possible peace plan or to help bring United Nations forces out if an emergency should arise.

Can NATO then be blamed for not doing more or not to have acted on its own? How could it, given the agreed and accepted fact that the United Nations was the responsible organisation for these operations acting on behalf of the international community? Why blame NATO or the United Nations if nations do not have the wisdom to find a way or the political will and the guts to do what it takes to solve a crisis?

Let me briefly also comment on the relations between NATO and the United Nations—on the overall responsibility, the control-command arrangements and the working relations. As I mentioned from the beginning of NATO involvement the overall political responsibility rested with the United Nations—with the Security Council of the United Nations and with the Secretary-General as the Executive. Any request for NATO assistance had to come from the United Nations and any changes in the tasks would have to be requested or approved by the Security Council of the United Nations. Likewise, there was never any doubt that NATO as an independent entity, an independent organisation, would have to get the North Atlantic Council's political approval of the United Nations' requests, but this again never implied that NATO had a role independent of the United Nations. From the beginning it was abundantly clear that this modus operandi required a close and good working relationship between the two organisations. I must admit, however, that the first period of this co-operation was coloured somewhat by the distance between the two different organisational cultures. NATO was regarded by some of the United Nations personnel as too much a relic of the Cold War, lacking a deeper understanding of the peace-keeping operations. These views were to be found not only at the United Nations headquarters but also lower down among the traditional peace-keepers—Norwegians or Nordic as well as Canadian peace-keepers. From the NATO perspective, the United Nations headquarters were seen as overly bureaucratic and not prone to take military realities or military advice into account.

I must also say that over the months and years since then contact and understanding has improved. NATO's efforts to send liaison officers to the United Nations headquarters and various UN forces headquarters helped quite a lot. Due to the basically different purpose and different organisational structures, NATO has the advantage of a structure for timely military advice at council level—the NATO Military Committee, its international military staff and a professional and capable command structure. Some of the many resolutions passed by the United Nations Security Council on the former Yugoslavia unfortunately demonstrates in my opinion the lack of such military advice at the right level and at the right time at the United Nations structure. The United Nations headquarters has over the last few years improved in this respect, but it is highly improbable that it will ever develop a real military expertise and develop effective military capacity or ever deploy such capacity.

As acknowledged by the United Nations Secretary-General in his report to the Security Council last January, the United Nations would be well advised to concentrate on peace-keeping operations leaving capable organisations or ad hoc coalitions (as in the Persian Gulf) to undertake more demanding military operations.

This, however, does not preclude that peace-keeping operations may develop into an enforcement operation as we see partly in the former Yugoslavia. We all have to be aware that such a change of task, such a change of force composition and command will never be easy, not to mention how difficult it will be to change back from an enforcement operation to a peace-keeping mode. Such a reversal is hard to imagine and probably would be even harder to undertake. Specific military support to shore up peace-keeping operations might also be needed in the future. We have to remember that such mixed operations do require a clear understanding of roles and responsibilities. Command and control arrangements must be clear and respected throughout. In the former Yugoslavia NATO has agreed to take on some supporting tasks while insisting that the United Nations remain in overall charge.

Sometimes some ill-informed public demands that NATO should do more or act on its own have demonstrated in my view a profound lack of understanding of command responsibilities. Unclear command arrangements and split responsibilities may seem acceptable at some distance from the realities, but it is a recipe for disaster on the ground. For instance it's hard to envisage a separate line of command for air support to ground forces, where the ground forces have no influence on the air support without a disastrous result. Even if it has worked reasonably well in most situations in the former Yugoslavia and probably better on the ground than it has been sometimes reflected in the press, lessons from these operations should of course be studied and taken into account for the future. Let me say that in the complex circumstances we have seen in this area, media confusion and some unrealistic demands may be unavoidable. Military and political leaders must see too that this does not affect the operations on the ground adversely.

It is my personal opinion that if something went wrong in our handling of the conflicts in this area, the former Yugoslavia, it was not the way NATO carried out its tasks, or maybe not even the way the United Nations forces handled the often difficult and confusing situations on the ground. In my judgment the weakest link has been the insufficient political co-ordination and the failure to agree early on a coherent policy and the lack of political will and stamina to carry it through. Development in the recent weeks gives me some hope that these lessons are not lost and I hope that we will be able to cope with such situations in a somewhat better way in the future.

This leads me to my final reflection. The post-Cold-war, more complex dynamic and unpredictable security situation in and around Europe has led to a much more difficult co-ordination and decision process because the common unifying factor of military threat has disappeared.

Security is today rightly defined as more than just military defence but we should not overlook the fact that it is also more than political. Economic and many other aspects of our security have recently been mentioned more often and also the environmental side. This means that the overall co-ordination of the security of the future even at national levels has become more complex and requires interdepartmental co-ordination at government level to assess all aspects of security before a coherent national position or national policy can be formulated. To assist in this process, something like a national security council seems required in quite a few of our countries. Last but not least the international consultation and co-ordination process may be more complex and difficult than before, but also is immensely more important if we want to see co-ordinated and effective crisis management. For this task, this international co-ordination, a complete and total national assessment seems a pre-requisite. International agreements may otherwise receive contradicting signals even from one and the same government as we have seen some examples of in the recent past.

On the international arena we do not lack organisations for such co-ordination. We may even have some unpredicted competition among some of them. What we really seem to need is political leadership among the more resourceful and influential states acting through institutions like the United Nations, NATO, the European Union, or for that matter the organisations for security and co-operation in Europe. In my view we have the structures and the main instruments and we have the positive experience of the past of our strength when acting together in solidarity. Even with the unifying imminent military threat gone, we should see the positive effect of maintaining strength through unity to manage the dynamic challenges of the future. Let me here add, that with the declining defence budgets, it seems even more important than before to unite all our resources.

All our present international organisations maybe less than perfect but if that is the case we should strive to improve them by a determined and consistent effort, not abandoning them as imperfect instruments. We do need the global coverage and the functions of the United Nations and even if it's a long process to improve that organisation nothing will happen without concerted efforts by all positive forces. We also strongly emphasise that we have been extremely well served by the Atlantic Alliance unifying the power of North America and Europe and we will all stand to lose if we do not maintain our Atlantic strength and Atlantic solidarity. Europe must and Europe will continue to develop the European Union, but security co-operation is and should remain a solid basis for our continued Atlantic co-operation. Instead of losing the advantage of our Atlantic co-operation let us seek to develop it further to meet the future demands—to cover all the needed elements of future North American-European co-operation. Thank you.

The appreciation of the meeting was expressed by Robert Spencer, Professor Emeritus, University of Toronto, President, The Atlantic Council of Canada and Vice-President, Atlantic Treaty Association of Canada.

Catherine Charlton, a Past President of The Empire Club with guest speaker, General Eide.

General Eide flanked by Empire Club Director Ed Badovinac and Empire Club Past President, Ronald Goodall.

October 11, 1995

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Jean Charest

Leader, PC Party of Canada

QUEBEC'S DECISION

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Douglas Todgham, Vice-President, The Canadian Institute for Advanced Research and a Director, The Empire Club of Canada; Joseph Zebrowski, researcher and doctoral candidate in political science, University of Toronto; Tom Shaw, President, Canada Proud Corporation; Elyse Allan, CEO, Board of Trade, Metropolitan Toronto; Peter W. Hogg, Professor of Law, Osgoode Hall Law School, York University; Michele Dionne, fine arts student, mother and wife of our guest speaker; John Honderich, Publisher, The Toronto Star; The Hon. Dianne Cunningham, Minister of Intergovernmental Affairs; Marsha Bronfman, Director, The Canadian Club of Toronto; Dr. Reginald Stackhouse, Principal Emeritus, Wycliffe College, Professor, Toronto School of Theology and a Past President, The Empire Club of Canada; David Cameron, Professor of Political Science, University of Toronto; Heather Reisman, President, Now Foods and Liberal Policy Advisor, John Cleghorn, Chairman and CEO, Royal Bank of Canada; and Libby Burnham, Q.C., Counsel, Borden & Elliot and President, The Canadian Club of Canada.

Introduction by David Edmison

I would like to ask all of you over the age of 30 to think back for a moment to when you were 26 years of age. I realise that, for some of us, this requires a bit more "thinking" than for others. What were you like at age 26? Did you have a plan? Did you have direction? Was your career path punctuated with an exclamation mark or a question mark? Did you really know what you wanted out of life and what you were prepared to give to it? Many of us struggled with those all-consuming questions until much later in life. And to be sure, some of us continue on that journey today.

Let me tell you what our special guest was doing at age 26. By his twenty-sixth year, Jean Charest had graduated from the University of Sherbrooke, had been called to the Quebec Bar and had won a federal seat in the House of Commons. Very shortly after that, he earned the post of Assistant Deputy Speaker. And within just two years, his talents were recognised again as he became our Minister of State for Youth. This was a fitting portfolio indeed, as his appointment made him the youngest federal cabinet minister in Canadian history.

So, ladies and gentleman, if, in his mid-twenties, Jean Charest was unsure of his career goals and didn't quite know what exactly he wanted to do with his life, he did a heck of a job concealing it!

By mid-1988, just two years after his cabinet appointment, this rising political star had earned the Fitness and Amateur Sport portfolios as well. Soon after his re-election in 1988, the Deputy Leadership of the Government in the House of Commons was added to Mr. Charest's responsibilities. From there, things didn't slow down.

1990—appointed Chairman of the Special House of Commons Committee to study a proposed companion resolution to the Meech Lake Constitutional Accord.

1991—appointed Environment Minister and sat on the Cabinet Committee on Priorities and Planning and a new Committee on Canadian Unity and Constitutional Negotiations.

1993—fell just short of winning the leadership of the federal Progressive Conservative Party, after a highly effective campaign, appointed Deputy Prime Minister of Canada, Minister of Industry and Science and Minister responsible for the Federal Office of Regional Development.

The list goes on and on.

In the face of the PC Party's devastating defeat in October 1993, Jean Charest was returned, against all odds, for a third consecutive term. In December of that year his appointment to the leadership of the PC Party was confirmed and then reaffirmed just six months later with an overwhelming 96-per-cent vote.

As a francophone MP with a passion for a Canada that includes Quebec, Mr. Charest is one of the key architects of the "no" side strategy in the upcoming referendum. At a time when he must rebuild his party, he's also working hard to ensure that, after October 30, we won't have to rebuild our country. He is uniquely qualified to participate in the sovereignty debate and regardless of what side of the issue you favour, there's no debate over the historic role he's playing in this epic chapter in our nation's history.

Ladies and gentlemen, please welcome a man who, at 26 was a relatively unknown MP from Sherbrooke, but at 36 has been described as "an attractive national figure with an unlimited future," the Leader of the Progressive Conservative Party of Canada, Mr. Jean Charest.

Jean Charest

Thank you ladies and gentlemen.

I can't help but notice that this is a head table that is fitting for our times. On my right, if I understood correctly, I have Heather Reisman, who's a Liberal Party advisor and on my left appropriately seated would be John Honderich of The Toronto Star. Thank God I have next to me Dianne Cunningham who will help me hold on to my common sense as I speak today.

Ladies and gentlemen, it was exactly a year ago to the day that I spoke to a joint meeting of The Empire Club and The Canadian Club and I look forward to next year's meeting. But I couldn't help but think that it was also 15 years ago that I spent a whole summer in the province of Ontario during the referendum campaign. Fifteen years ago I spent that whole referendum campaign working on a ship in the Merchant Marine doing a run between The Sault and Windsor, Ontario. And so that you know the whole story, I worked on that ship so that I could earn enough money to come back a total of three days and get married. And here I am 15 years later for a whole day in Ontario with another referendum campaign, very proud to report that since then the country has remained united and so has my marriage.

In the last month I've travelled to every corner of the province of Quebec and everywhere I have been I've reminded people that the decision they will be making on October 30 isn't only a decision about the future of the citizens of the province of Quebec. It's obviously a decision that will affect all Canadians. In this respect, I also understand the frustrations of people who reside outside the province and who feel powerless watching this debate unfold. Time and time again people have come to us asking how they can help and how they can make a contribution to helping their fellow citizens make the right decision. And for that reason alone it is certainly well worth our time today to share some thoughts on how this campaign is unfolding.

Today I want to be as direct as I can in my comments. It's important that we appreciate the meaning of this campaign so that we are also able to deal effectively with the aftermath of this referendum campaign—a referendum campaign which by definition is going to be divisive and will call on each and everyone of us to reach out to other Canadians as we move forward. It is also critically important to understand what the issue is in this referendum campaign. On the federalist side we have day in and day out reminded the people of Quebec what exactly they are called upon to decide on October 30 and the issue is clear—it is separation and its consequences.

And to understand that, it's important to take you back a year ago, when there was a provincial election campaign in Quebec and Mr. Parizeau and Mr. Bouchard ran and they asked the people in Quebec for a mandate. They're the ones who asked for this mandate. They asked for the mandate to go out there and present this project of separation and to explain it to the people of Quebec. Well, that is the key element in this referendum campaign; for that reason they now have the onus to explain to the people of Quebec what their project is and what the consequences are. And for that reason it is important that on the federalist side we keep that onus where it should be, where democratically it should be.

Let me also speak on what this campaign is not about. This campaign is not about previous constitutional changes. The referendum campaign is not about the Meech Lake Accord. The referendum campaign is not about the Charlottetown Accord. The referendum campaign is not about some competing vision of Canada. The referendum campaign is not about Jean Chrétien, Daniel Johnson or Jean Charest. To paraphrase another famous campaign, the issue is separation.

Then you would ask, "Well what is the alternative then?" For those who will be going to the polls on October 30 and making that choice, what alternative do we offer? Well the alternative is quite simple and it boils down to one word. The alternative is Canada. It's 128 years of collective experience under this political system. It's 155 years of a political union between the provinces of Ontario and Quebec. It's almost 400 years of experience in North America together, building what is today the greatest country in the world. The alternative is our heritage and what I received from my parents and ancestors. The alternative is also about the legacy I will leave to my children and that we will leave to our descendants. And this is a key factor again in this campaign. It can't be otherwise. Any other approach, ladies and gentlemen, would relieve the separatists from this onus that they chose for themselves, that they imposed upon themselves to explain what separation is. And that's why it is key in this campaign that we stick to the real issue.

I'm happy to report that that is certainly the consensus within the federalist forces. And from what I understand that's what Mike Harcourt agrees to and Roy Romanow and Ralph Klein and Gary Filmon, Mike Harris, Frank McKenna, John Savage, Clyde Wells, Audrey McLaughlin and Jean Chrétien. We all agree on this key matter. And I should add this happens to be a disappointment for the separatists in the campaign. In fact they were hoping and praying that there would be some sort of a division in the federalist camp that they could exploit. Well they can hope in vain because no later than last Friday Daniel Johnson, Jean Chrétien and Jean Charest stood together on the same stage in Shawinigan. We stood together because we are fighting a common cause—a cause that, may I add, is way beyond partisanship, a cause that, to be quite honest with you, has also enlightened a lot of people about politics. A lot of Canadians have said to me how encouraged they are to find that from time to time, in the history of a country and in the history of the province of Quebec, there are moments when we are able to rise beyond partisan politics, that there are causes that transcend individuals and that we're able to work together. Well if the cause is Canada, I certainly am able to stand on the same stage as the prime minister to fight for the future of my country.

Now let's not get carried away here. This goes until October 30. On October 31 I will be more than happy to put on my partisan hat and I know there actually may be a few Progressive Conservatives in this room, some of them even in a deep state of denial, so let me reassure each and every one of you that as of October 31 we will be back.

Not surprisingly, I'm sad to say the only leader of a political party who's not supporting the "no" coalition is Preston Manning. And now I know what Lucien Bouchard meant when he said a while ago: "The Bloc and the Reform are objective allies." They have something else in common. For both of them their ideas of our country seem to end at the Ottawa River. And for Preston Manning the future of Canada itself in this campaign has just become another hot-button issue to push. Well he will, I guess, eventually account for that.

But back to our campaign. What is surprising about this campaign is that Mr. Bouchard and Mr. Parizeau have already played the language and culture card in the referendum—telling Quebeckers that if they vote "no" their language and culture in some way, shape or form will be threatened. Anyone worried about a "no" vote weakening the province of Quebec should look at the extraordinary growth that we experienced in the last 15 years. The population of Quebec has grown 15 per cent from six to seven million people and the French language and culture are more secure now than at any previous time in the history of Canada. A whole new entrepreneurial class has risen in the last 15 years and I'm not the one who says this by the way. All I'm quoting and re-reading these days is Mr. Parizeau's speech—one he delivered at the Montreal Chamber of Commerce in November of 1994, where he describes in very poetic language the great progress that the province of Quebec has made in the last 15 years. And he names all the companies and the entrepreneurs. It's important to remind ourselves of this great leap and progress of this new generation of men and women who came forth because that happened exactly 15 years ago, after the last referendum—when people in Quebec were told by the separatists that if you vote "no" you will weaken the province of Quebec, that this will put us in the position where we won't be able to take our rightful place. Well a whole generation of Quebeckers have proved exactly the contrary. Mr. Parizeau and Mr. Bouchard tell Quebeckers that if they vote "no" they will weaken themselves. Well, ladies and gentlemen, the only people who will be weakened after this referendum are those who made the decision to hold this referendum. The only ones who will be weakened by the decision by Quebeckers to stay within Canada are the separatists themselves, starting with Mr. Parizeau and Mr. Bouchard.

The separatist leaders tell Quebeckers they'll lose their bargaining power if they stay within Canada. But you have to stop to think what bargaining power will they have if they choose to separate and then try to rejoin NAFTA or try to re-write the FTA? To try to attract some support the separatists have offered Quebeckers what they call a new partnership with Canada—a partnership where they would have a quarter of the population but half of the power. There's only one problem with this. The separatists are the only ones at the table. I don't see anyone rushing to sign on the dotted line and I don't know why anyone could actually come forward and sign a bad deal. But the separatist leaders, in what is an unusual twist in this campaign, are now arguing that if we separate, Quebec will be able to keep the Canadian dollar. We'll be able to keep the Canadian passport or Canadian citizenship. We'll remain part of NAFTA. We'll continue to have access to the Canadian market. In fact if you were from another country and came to Canada and observed this campaign you would probably be mystified. You would probably come to the conclusion that here are two political forces making the same argument—that if you separate from Canada you get to keep Canada. It is as though it's a card game but there's only one Canada card. One of them is holding the card, the other one is bluffing. And in this case we certainly know who's bluffing.

Let me give you one example—currency. The argument made by the separatists is that if we separate, that won't be a problem because we can keep the Canadian currency. A lot of experts seem to think that's possible. It could be done. The difficulty I have with that is here we are Canadians, partners in Canada, and we would move from being partners within this country to becoming a colony with another country controlling our monetary policy. I don't get a sense that we have gained a lot in terms of sovereignty or independence on such a fundamental issue. When I raise that I'm told: "Charest you don't understand. We have a partnership proposal. It's going to work like this. There's going to be a joint commission. Actually we're going to have more government because we like government and the joint commission will work under the rules of unanimity—a great, great way of getting things done as our previous government learned over the last nine years. And so the consequence of this is that we will have a veto power over the monetary policy." Let me get this right. We're separating, we'll have control and then we'll have the control of the monetary policy of the other country. I said to myself: "Why didn't we think of this when we negotiated the free trade agreement?" We'd be sitting in Ottawa in charge of the American Federal Reserve Bank. Jean Cleghorn could be the president.

And it goes on and on. The Canadian economic market would also be re-negotiated. It's funny—I thought we had that market, but I guess we don't. When you think of the jobs that are at stake, it's a market that's worth $100 billion of trade within Canada—one job in five in the province of Quebec. Mr. Johnson yesterday shared a study of how many jobs could be lost according to different studies done, not by us, but by independent groups and found that 90,000 jobs were at stake if we separate. In fact the Canadian economic union is much more integrated than any relationship that we'll ever find under a trade agreement. As Royal Bank of Canada Chief Economist, John McCallum has written, the trade-generating powers of the Canadian economic union are of the order of magnitude greater than the trade-generating powers of both NAFTA and the European Union. So the separatist leaders go on. They say: "That's fine. We'll actually have access to NAFTA and for the longest time they kept saying that it would be automatic. We'll split and we'll have access to NAFTA." Recently though they've stopped saying that, because the American ambassador to Canada has said often enough that if Quebec separates there is no automatic admission to NAFTA and the American trade ambassador said the same. The ambassador to Canada from Mexico has also stated that. The hard reality is that Quebec would have to line up behind Chile and negotiate from zero and negotiate with a partner, as we have learned from experience, that isn't in the mood of doing any great favours to anyone else, no matter how nice they are or whether they are neighbours or not, because for the American government every trade deal is a precedent, every trade deal carries consequences. So there will be no automatic admission to NAFTA. This project is what Mr. Parizeau and Mr. Bouchard are now trying to sell.

But this debate doesn't turn only on economic issues. There's fundamentally the question of country—the country that Quebeckers and Ontarians and Canadians everywhere have built together. And Quebeckers are profoundly attached to their home, the province of Quebec and to their country, Canada. I keep reminding people everywhere I go that when they have been asked consistently over the last 30 years whether or not Quebeckers want to stay within Canada and remain Canadians, 80 per cent plus, year in and year out, have always answered "yes." So on the one side of this debate we have Quebec offered by the separatists and on the other side of the debate it is Quebec plus Canada. We have 19 days to go out there and argue and make her case and most of all we have 19 days to ask Mr. Parizeau and Mr. Bouchard to tell us exactly what they are going to propose and whom they propose to negotiate with. And based on what information, based on what probabilities of success can they actually guarantee to the people of Quebec that they will be able to separate and keep all the advantages of Canada? And on the twentieth day you and I will be left with the responsibility, with the duty to go out there and reach out to Canadians in the province of Quebec who may not have agreed with our position. This will be a very, very important task—one that I take very seriously.

In this regard all leaders in Canada must live up to this very important responsibility of reaching out to others.

May I add also that in this debate we're told from time to time that if we vote "no" the consequence will be the status quo. Mr. Bouchard and Mr. Parizeau make that argument: that nothing will change. But as I look to the future and to the responsibility before us, it's important for us to stress how important the changes that the government of Mr. Harris is proposing are and how significant they are going to be for the people of Quebec. What I see on the horizon after a "no" vote is a period of convergence—a period of convergence where the changes that have been asked for in the province of Quebec by successive governments are also compatible with changes that other Canadians are looking for in Alberta, Ontario and the Atlantic. We have a unique opportunity. We will have a unique opportunity as we rebuild our confidence; a unique opportunity to undertake some changes starting from the ground up, an opportunity to focus on some of the key changes that affect our day-to-day lives—the economy, jobs and an opportunity to re-balance some responsibilities within our federation.

My hope is that Canadians everywhere will seize this opportunity and will be inspired by this dynamic, which by the way has the same backdrop for everyone. It happens to be the fiscal denominator that is forcing a lot of these changes upon us. If you need any evidence of that look at the four election campaigns that unfolded in 1995—Saskatchewan, Manitoba, Ontario and New Brunswick. They all have a common denominator—governments of different stripes and colours elected with just about the same mandate—to not increase taxes, to balance their books, to revise programmes and to get back to basics. One government is a New Democratic government in Saskatchewan. Another one is Liberal in New Brunswick and thank God, two Tory governments. So our opportunity following a "no" vote is to re-engineer our federalism and to put the focus on changes that we can make, that we can accomplish without going through the constitutional door. Does that mean that we will never make constitutional changes? No. Does it mean that those who have aspirations, who want to change things, must diminish those aspirations? The answer is "no." It just means that we should focus on the things we can change now and that touch our day-to-day lives—jobs, the economy and taxation. Having accomplished those changes, we can build on those accomplishments and move on to other things. That's the window of opportunity that will be there for us on October 31. And if Canadians today understand that and are able to find some inspiration in this vote, if they are able to find some confidence in the future of their country, well then this referendum will have served a good cause and my work and the work of our party and your presence here today will have meant something. It will have meant something for Canada and it will have meant something for your children and grandchildren. That's why I'm fighting this referendum and that's why I am here today so that we can enlist you in this cause. And to help you vote Progressive Conservative in the next election.

But the cause is way beyond any political party and so I want to close today by saying to you what I've said to Quebeckers everywhere. On October 30, as I go into the voting booth and make my "X" on that ballot, I am not going to hand over my passport to Jacques Parizeau or Lucien Bouchard. I intend to hold on to this passport of mine. I happen to believe it's a strong symbol of everything we've been able to accomplish together and I will actually go into that voting booth with that passport in my pocket. I intend to walk out of that voting booth with my Canadian passport in my pocket so that other Canadians can also proudly stand where we stand today in a united Canada.

Thank you.

The appreciation of the meeting was expressed by Libby Burnham, Libby Burnham, Q.C., Counsel, Borden & Elliot and President, The Canadian Club of Canada.

Past President Dr. Eric Jackman with Empire Club President David Edmison and Jean Charest, Leader of the Progressive Conservative Party of Canada.

Jean Charest with head table guest Tom Shaw, President Canada Proud Corporation.

October 12, 1995

Alan Stark

President and General Manager, Amex Canada Inc. and President and CEO, Amex Bank of Canada

THE ONTARIO TOURISM INDUSTRY

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada; Geoffrey Cambridge, OAC student, Danforth Collegiate and Technical Institute; Dr. Daniel Dryer, Chaplain and Director, King Bay Chaplaincy; Gary Selke, Vice-President, Institutional Equity RBC Dominion Securities; David Lipton, President, Sensors Quality Management; Jan Ruby, Assistant Deputy Minister, Tourism Division, Ministry of Tourism and Recreation; George Cooke, President and CEO, Dominion of Canada General Insurance; Duncan Jackman, Investment Officer, Personal Trust and Investment, Cassels Blaikie and a Director, The Empire Club of Canada; Ken Rotman, Managing Director, Clairvest Group Inc.; Josef Ebner, Vice-President, Delta Chelsea Inn; Martin Peskin, Executive Vice-President, Cara Operations; and Donald Ziraldo, President, Inniskillin Wines Inc.

Introduction by David Edmison

When we think of American Express, we think of vacations and travel. Thanks to effective advertising, we also conjure up visions of someone relaxing on the beach, sipping a pina colada without a care in the world, despite having lost his traveller's cheques. Simultaneously, another harried tourist races from phone booth to phone booth and taxi to taxi trying to arrange for replacements for lost cheques, which much to his dismay were not American Express. And when the traveller's cheques are exhausted, there's always the American Express card. The well-earned reputation of trust, reliability, convenience and peace of mind usually means we "don't leave home without it"—whether we're going to the Caymans or to K-Mart.

The American Express Company was founded in Buffalo in 1850, as a small freight-forwarding company, moving goods across the Canada/U.S. border. Its roots in Canada go back before Confederation, with the opening of the Hamilton office in Canada West in 1853. The business of the company has evolved from expressing hard goods, to dispensing currency and cash substitutes. Today, American Express is a large travel, financial and information services organisation, operating all over the world. Last year's sales exceeded $15 billion (U.S.).

American Express operates two companies in Canada, Amex Canada Inc. and Amex Bank of Canada. Its Canadian banking license was acquired in May 1990. With us today to talk from this dynamic company, and the executive responsible for its continued success and expansion in Canada is Alan Stark. Mr. Stark has the dual responsibility as President and General Manager of Amex Canada Inc. and President and CEO of Amex Bank of Canada, positions he has held since 1993.

In these capacities Mr. Stark has led Amex's move into the Canadian credit-card market from its stronghold in the charge-card sector. He has also expanded Amex's card-reward programme to become one of the most successful in the Canadian market and a standard for American Express worldwide. Under his leadership Amex's corporate travel and payments' services have enjoyed sustained growth, including the acquisition last year of the corporate travel-management business of Thomas Cook.

Our guest has spent 20 years with American Express, previously working for Air Canada at its European Headquarters in London, England. He has an educational background in marketing, and this, combined with his travel experience, has led to frequent invitations to speak on travel and tourism issues. He serves as Chairman of the Marketing and Information Technology Committee for the Government of Ontario's Tourism Council, and as Chairman of the Quebec Tourism Circle, an industry forum established by American Express.

Mr. Stark is active in a number of community organisations. He is a volunteer with the Toronto Breakfast Club which provides healthy breakfasts to needy children in the city and he is a board member with Junior Achievement of Canada, an organisation which runs in-school programmes to introduce young people to the world of business.

Our guest is multilingual, fluent in French and German and can hold his own in Dutch and Spanish. He is an outdoorsman who enjoys jogging and golf and plays a mean game of tennis. I've absolutely no doubt that while enjoying these outdoor pursuits, "He never leaves home without it—his racquet, that is!"

Ladies and gentlemen, I ask you to welcome our distinguished guest, Mr. Alan Stark.

Alan Stark

It suddenly struck me yesterday. Tomorrow I appear at The Empire Club lunch!

In panic I remembered amongst the pristine, unopened, unread business titles, stuff like "Wisdom of Teams," "In Search of Excellence," "Pathways to Performance," there were some beautifully bound books which might help me—The Empire Club addresses throughout the 1980s. I then spent a couple of hours happily engrossed in some of the speeches—and was struck and honoured by the distinguished names who have gone before me. And especially some of the other Brits—Margaret Thatcher on "Responsible and Prudent Economies," "Lord Carrington, then head of NATO, on "Forty years on—since the beginning of NATO," and Sir Edmond Hillary on "Beyond Everest." Come to think of it, he was a New Zealander, but we are in The Empire Club—so I can claim him perhaps as an honorary Brit. All of the aforementioned of course were moderately well qualified to speak on their given subjects. I come before you with the advantage of being a relative newcomer to my subject. I have been only three years in Ontario and dare to speak on the Ontario tourism industry. So, if any of my remarks today make any sense to you, it is probably because of my long international experience with American Express and the fresh outlook I bring to Canada.

Equally, if my remarks make no sense at all, it is for the same reason.

Anyway, as Monsieur Parizeau might say, "Revenous a nos moutons." Let's get back to our sheep or back to the business of the day.

I wonder if you have ever thought that we're not just having lunch at the Royal York? Have you ever thought instead that we're spending our noon-hour at the absolute epicentre of Canada's tourism industry? Two blocks west is the world's most advanced sports and entertainment complex, the SkyDome. A few feet behind is the highest free-standing structure on earth, the only man-made thing, aside from the Great Wall of China, that astronauts can pick out when they look back on earth. A few blocks up the road, the Eaton Centre has grown to be Toronto's second-largest visitor attraction, and remember: it wasn't built to attract tourists; it's a shopping mall. And surrounding us on three sides are some of the most beautiful and successful live theatres anywhere, part of what has made Toronto the third-largest producer of live theatre in the world, superseded only by London and New York. Garth Drabinsky's "Phantom of the Opera" has been running for well over 2,000 days and nights to packed houses. And if you're wondering what the "Phantom" has to do with tourism, remember: 80 per cent of its audience now comes from more than 100 miles away from Toronto.

You would think with attractions and statistics like this that tourism would be booming here in Ontario. In one sense, it is. Hotel occupancy rates, for instance, are up by 13 per cent over three years ago. And more Americans are coming across our border—attracted in part by our low-cost dollar. Compared to years past, we're doing fine. But compared to other destinations, it's a different story.

Neither Canada nor Ontario which accounts for 40 per cent of Canada's travel industry are living up to their extraordinary potential. You'd think that with all our awesome landscapes, our safe cities, clean air and vast wilderness that Canada would be one of the world's most attractive visitor destinations—especially in an age when more and more visitors want the best of two opposite worlds when they travel. But at a time when Americans should be flooding across our borders to throw money at our tourism operators and store keepers, they're trickling through. Otherwise, why is it that every 10-per-cent drop in the value of the Canadian dollar generates an eight-per cent-drop in Canadian overnight travel to the U.S.? But the same 10-per-cent depreciation only generates a four-per-cent increase in overnight travel from the U.S. Why is it that our supreme brand name in visitor destinations, a place just 30 miles due south of us across Lake Ontario—Niagara Falls and the surrounding area—is experiencing absolutely flat growth in the number of visitors it is attracting?

The answer is complex and perhaps even chronic. As someone whose career has embraced tourism in Europe and Asia, I am always puzzled why Canada, and Ontario in particular, are not higher on the list of the world's favourite vacation spots. The reality is Canada isn't a particularly popular place to visit—unless you're a Canadian, of course, and the dollar forces you to explore your own backyard. In fact, Canada was once ranked sixth in the world in terms of attracting visitors from beyond its borders. But that was back in 1980, over a decade ago. Over the last 10 years, we have seen Canada drop back to 12th position as a world-travel destination, many tens of millions of people behind France, which is number one, and even behind Hungary, which is 5th. The Asian countries have knocked us back, to be sure. They're growing at a rate of eight per cent per year. But if you think they're just starting from a lower base, I should remind you that both

France and Germany are growing faster than Canada on a straight percentage increase basis. Does it really matter that we're becoming less competitive in comparison to other nations? I mean, we're becoming more competitive in areas such as telecommunications and auto making. We can't expect to win them all.

Well, yes, of course it matters, and for reasons other than nostalgic patriotism. The first reason is that we have the human, physical and financial resources to regain our prominence and maximise our potential as a travel destination. It's not as if we're expecting to become a world leader in surf board making or rice growing, where we have no competitive advantage at all.

The second reason is that tourism is booming everywhere else. It's not only a winner in terms of industries; it's fast becoming the winner. Look at countries the world over and you'll see that tourism is one of the fastest, if not the fastest growing sector of their domestic economies. A decade from now, the World Travel and Tourism Council predicts that worldwide, tourism will account for 11.4 per cent of direct and indirect GDP. The travel industry is expected to more than double in size—generating some 126 million more jobs than exist today. By the year 2005, more than one in 10 people in the global work force will make their living in a tourism-related job.

Whatever call to arms I'm sounding about Canada should be heard with particular clarity here in Ontario. The province accounts for two out of every three international visitors to Canada. It supports close to 400,000 direct and indirect jobs and contributes almost $19 billion directly and indirectly to the gross provincial product. In fact, tourism across Ontario is so pervasive that, for the past 10 years running, it has been the province's fourth-largest export industry—attracting some $4.3 billion in export earnings last year through visits from Americans and other international guests. So given that tourism is already such a critical component of our province's economy, and if we believe that it has the potential to be one of the chief drivers of its economic renewal the question is: Can Ontario regain its rightful place in the world market?

The answer has to be "yes." We have to make our way past the Hungarys to be a bigger player in the global market and turn around the province's $3.3 billion travel deficit. I'm not saying that we should stop Ontarians flying south in the winter. I am saying that we need to attract more Americans to come north in the summer—and more British and French and Japanese. We don't have to build more beautiful vistas, unspoiled brooks or gorgeous lakes.

And we don't have to build many more big-city attractions. For the most part, they're here already and if they're not, they're under construction—like the expansion to the Metro Toronto Convention Centre, two blocks west of here which will enter the big leagues. Two years from now, it will become one of the top 20 convention centres in North America. I believe strongly that what we do have to build for Ontario tourism is better marketing—so that more visitors will feel compelled to come to Ontario. Because there's one thing we all know: once someone visits Ontario, they want to stay longer and visit more often.

I know that Bill Saunderson, the Minister of Tourism, will be listening carefully for the next shoe to drop. But Bill, I can assure you that this isn't going to turn into a pitch for more resources. Not one new dollar of provincial government money need be spent in order to renew—to revolutionise—Ontario's tourism industry. The key will be to spend that money more effectively. Ottawa has already stepped in. Just over a year ago, Prime Minister Chrétien announced the formation of the Canadian Tourism Commission, chaired by former Minister Judd Buchanan. What's refreshing is that the federal government not only announced that Ottawa has given priority to packaging and marketing Canada as a single destination, it has actually put some money behind the initiative.

With the announcement of the Canadian Tourism Commission came an increase in federal funding from $15 million to $50 million annually. Much of this $50 million is being used to leverage additional marketing money through partnership with the provinces, major attractions, hotels and airlines, as well as groups of small businesses. The federal government initiative gave the industry the first thing it badly needed—more money to leverage partnership opportunities to attract more visitors.

This leads us to the point now where the tourism industry in Ontario collectively steps up to the plate. It really began for me two years ago, when after some exploratory meetings between Queen's Park and a group of senior tourism industry leaders, two things became clear—one, the industry had some very clear ideas about how to market itself; and two, it came to believe it could do this not as a client of the government, but as a partner with government—with a leadership role. For the past decade, the same decade that saw our share of the world tourism market decline, the people with the real clout in Ontario's tourism industry were not industry people—not the owners of the Gananoque Bed and Breakfast or the CN Tower—but the provincial government whose marketing budget grew during the 80s to almost $19 million. Today it is less than half of this. To be sure, past governments talked to the thousands of tourist operators about how these sums should be spent. But that consultation was limited and sporadic at the best of times.

Over the course of the last decade, the province has thrown millions of advertising dollars at the United States and Europe in order to get international visitors to think of Ontario for their next vacation. This led to some beautiful award-winning commercials, but no beautiful increases in foreign visitors. The reason is clear—the name

"Ontario" means nothing to people outside Canada or a few of the border states. It never has and, no matter how much you spend proving otherwise, I don't believe it ever will. Other countries' states and provinces have avoided this temptation to spend large amounts of taxpayers' dollars vainly trying to build awareness of something consumers simply will not bother to recognise. This is not because Americans or Europeans are "geographically-challenged." It is because, in marketing terms, the brand-name of Ontario simply does not exist. To cut through the advertising clutter in a market as gigantic as the whole of the U.S. to create a brand for Ontario would take years and millions upon million of dollars.

So why market Ontario? Why put millions of dollars behind such slogans as "Ontario: Yours to Discover," or "Ontario Incredible," or "Ontario: Take a Breather"? Why not build on the images of that much better-known place—Canada—that brand-name known throughout the world? And why not focus directly on the cities and attractions of Ontario, Canada, which research and common sense tell us are much better known abroad than the province of Ontario? Nobody, for example, travels from the U.S. to visit "Beautiful Warwickshire." But millions of Americans make the trip every year to Stratford, England, to see Shakespeare's birth-place.

So why should we expect them to come to Ontario when they are far more likely to be attracted to the Stratford Festival, or Niagara Falls, or downtown Toronto, or a wilderness experience in Algonquin? That is just one of many recommendations contained in a report that has just been prepared for the Ontario Tourism Council by its Marketing Initiatives Committee, which I had the honour to chair.

The Ontario Tourism Council is a non-profit corporation of tourism industry professionals across the province, formed to create a new strategic marketing alliance between the industry and the government.

Michael Beckley, the President and COO of Commonwealth Hospitality (the largest hotel management firm in the country) is the chair. Other OTC board members here today are: Kirk Shearer, the President of the Metro Toronto Convention and Visitors Association, and Rod Seiling, the Executive Director of the Hotel Association of Metropolitan Toronto. The Council's ultimate goal is to create an effective marketing organisation similar to other successful jurisdictions in Canada and around the world. The British Tourist Authority, the Maison de la France, and the Australian Tourist Board are all public-private-sector partnerships that have won greater market share for their respective nations.

All of these organisations are contracted by government and receive support both from government and from industry partners such as airlines, hotel associations and cultural attractions.

What the Ontario Tourism Council envisages is a new tourism marketing organisation that would fulfil a number of responsibilities. These include: acting as a central clearinghouse for partnerships and events; facilitating marketing partnership with the Canadian Tourism Commission to maximise the federal dollars available to us; developing a comprehensive data bank for partnering opportunities; and providing direction for marketing the province's attractions within Ontario, within Canada, into the United States and beyond.

With Ontario, the need for an industry-based marketing organisation is even more apparent: when you have a multi-billion dollar product whose thousands of parts range from ice fishing on James Bay to Beauty and the Beast on King Street. When you have under $10 million to market it with, you need to use those few dollars creatively and in a highly focussed way. The people who know that product best are the private-sector operators who have put their own money, experience and expertise into making it grow. The people who know how to market

Ontario's visitor attractions most creatively are also in the private sector. We believe these groups can function more effectively under the umbrella of a single-purpose, private-public-sector partnership. The industry as a whole can function more effectively when it is closer to its suppliers and closer to its customers. And I would submit that the government can function more effectively when it leaves the private sector to do what the private sector does best—re-privatises the tourism industry in order to help it grow.

An idea like stopping trying to create a brand for Ontario is just one of many recommendations put forward by the Tourism Council's Marketing Initiatives Committee. The report is not chiseled in stone. It is a work-in-progress, and we want everyone with a stake in the industry to take part in it. Starting in November, the OCT will be travelling to communities across the province in order to hear from more Ontarians how best the industry can design a new tourism marketing organisation that is distinctively "made in Ontario." On November 17, we will be holding our first workshop here in Toronto and I invite any of you who are interested to attend.

While our marketing report contains over a dozen specific initiatives and recommendations, let me give you a flavour of how some of them could change the marketing of Ontario for the better. Here is a preview of six of the most important strategies that reflect the industry's thinking:

Number 1. We agree with the Canadian Tourism Commission that we should give a very high priority to keeping Ontario travelling within Ontario rather than buying competing product in the U.S. And since the majority of inter-provincial trips are taken to the province next door, we believe it's in Ontario's best interests to capture more of the Quebec market—to encourage more Quebeckers to visit Ontario at the same time as we're encouraging more Ontarians to vacation here. After all, Quebec has for many years been the largest single source of out-of-province domestic trips to Ontario, accounting for some 2.7 million visits. These efforts will contribute to reducing out-travel payment deficit with the U.S.

Number 2. We strongly agree with the view supported recently by Hollis Harris of Air Canada that we want to make Toronto a "best in class" gateway city. Our aim should be to make Toronto the gateway to Canada and, for international visitors, the gateway to North America. We want to encourage visitors to stay longer and draw them further into the province. To do this, we need to capitalise on the opportunity that Open Skies has presented Toronto, since the ease of air travel greatly expands the city's origin markets. I saw an airport poster in Dallas recently for example, which was selling Dallas-Toronto for $99.

Number 3. We need to draw travellers visiting other gateways and the national capital further into the region and the rest of the province.

Number 4. We want to really capitalise on our great assets of natural and cultural attractions.

We have barely begun to tap our potential to be the best in the world at providing outdoor activities, adventure holidays, and native tourism packages. We use the words "in the world, best-in-class" frequently in our report. Since we believe we still have massive opportunities to improve the infrastructure, the marketing, and the distribution of these very strong assets. And we will need to be best-in-class to compete.

On the other hand, we are already becoming world-renowned for creating blockbuster annual events year-round, whether it's the Barnes Exhibit that drew 700,000 visitors to the Art Gallery of Ontario last year, or the 20th annual Toronto International Film Festival, which drew more members of the international media last month than the Economic Summit did in 1988. Last month, "Phantom of the Opera" celebrated the start of its seventh year in Toronto, while next month, Sunset Boulevard opens for what we hope will be an equally long run. Creating block buster events which really capture national and international interest is a key element in our recommended strategies.

Number 5. We want to market good value.

When 95 per cent of the American travel is domestic, that is, within America, and only 0.7 per cent of American travel is to Ontario, its immediate neighbour, we need to tap the double potential of open skies travel combined with major dollar savings. Think about it: we have to let Americans know that here in Ontario they get 35 per cent more for their dollar.

Number 6. We need to target new U.S. visitors, as well as repeat visitors. As I'm sure we've all experienced, once we lure visitors to Ontario, they become enthusiastic and they become repeat visitors. Ninety per cent of U.S. visitors to Ontario are here on their second, third or more trip. But it takes more than word-of-mouth to get an American, or anyone else, to visit some place foreign for the first time. It takes reinforcement of positive Canadian images through the media, together with advertising that doesn't simply create a favourable impression but actually prompts people to make a booking. We recommend resource allocations more strongly against attracting new U.S. visitors.

Let me conclude by making a simple observation. I hope I have made the case this afternoon for the need to let the tourism industry play a more important role in the province's economic well-being. Especially through the creation of more jobs. How would it do this? Well, by playing a more important role in its own destiny. We have the product. And for reasons beyond our control, we have the pricing too. What we need is effective marketing. It's tempting to sell marketing short—to view it as a frill that can either be cut in order to meet someone's deficit savings or not really necessary if you have the right product and pricing. In other words, "If you build it, they will come." Well, many millions of dollars spent promoting lovely images of Ontario have proved one thing: they won't.

To develop the kind of sales-oriented marketing programmes that sell packaged tourism experiences with themes and meaning we need a new approach. We need a public-private-sector partnership in a new, business-driven, tourism marketing organisation.

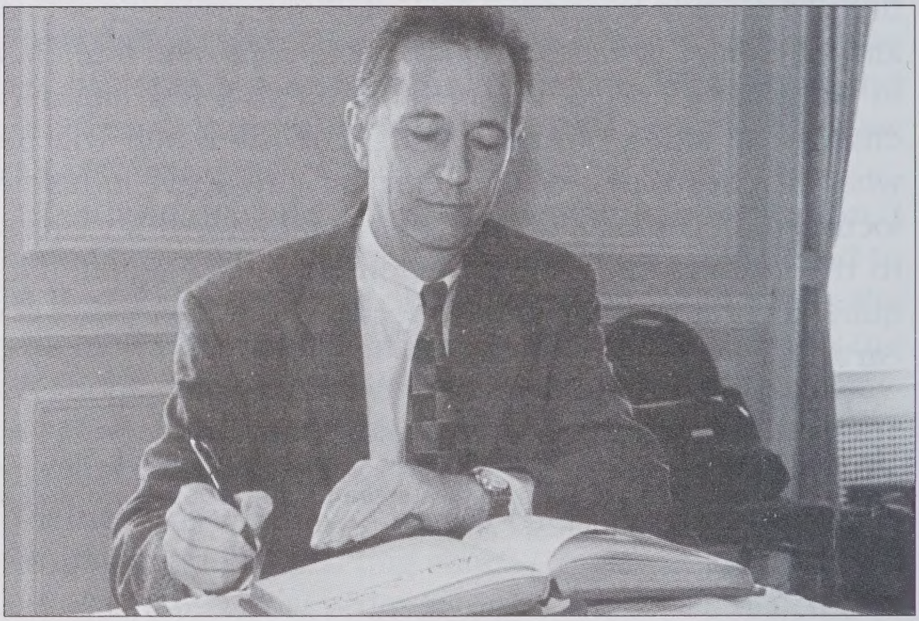
And to get to that point, what we need most of all is a will to change. With it, we can start the long process of regaining all that lost market share, of re-introducing the world to our attractions, and of re-balancing our tourism deficit.

The will to change is something I'm glad to see is in the air these days. Change and common sense. It was said best in the September 27th Throne Speech: "Your government is assessing which of its activities are unnecessary, and which others are best left to business." It will pursue alternatives such as partnership between government and private businesses, and opening government operations to outside business." And while the prospect of this kind of change is causing all kinds of people and interests in Ontario to cringe, when the subject is tourism and change, all sides can be smiling. For the result will be what all sides want—a more efficient, pro-active industry focussed on getting a greater share of the world's visitors to the country the United Nations has once again, and quite accurately I would say, declared the best place on earth to live.

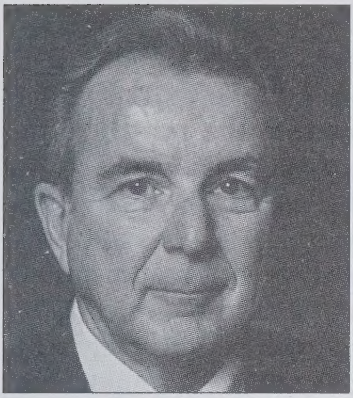
Thank you.

The appreciation of the meeting was expressed by Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada.

Empire Club Secretary, Willis Blair with Donald Ziraldo, President, Inniskillin Wines.



Allan Stark signing Empire Club yearbook.



October 19, 1995

Robert Ferchat

Chairman and CEO, Bell Mobility

THERE ARE NO LIMITS—PCS AND A NEW COMPETITIVE ADVANTAGE

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Margaret Samuel, Manager, Capital Markets, National Trust Company and a Director, The Empire Club of Canada; Nicolas Chapman, grade 12 student, Lawrence Park Collegiate Institute; The Rev. William Middleton, Minister, Armour Heights Presbyterian Church; Fred Gorbet, Executive Vice-President, North American Life Assurance Company; Jay Bertram, Vice-President, Client Service Cossette Communication Marketing; Dr. Gordon Chong, Metro Councillor and a Director, The Empire Club of Canada; Stanley Hartt, Chairman, President and CEO, Camdev Corporation; Gwyer Moore, President and CEO, Deacon Capital Corporation; and Peter Barnes, Deputy Minister, Special Projects, Economic Development Trade and Tourism.

Introduction by David Edmison

In May 1844 with the immortal words, "What hath God wrought," one of the world's most dynamic industries was born. It was Samuel Morse's crowning achievement; a telegraph line from Washington to Baltimore. It marked the first time intelligence could be communicated instantaneously over long distances without yelling. It was a watershed achievement of how humanity communicated. Soon to follow was the invention of the telephone by that great Canadian, Alexander Graham Bell. And since then the growth in the communications industry has been nothing short of explosive.

Today, we can talk to each other from the car, the backyard, the beach or the poolside anywhere in the world. This has all been made available with the advances in wireless communications. The wireless telecommunications industry has grown exponentially thanks to new advanced technologies which will permit integrated voice, data and even video to and from mobile customers. As Canadians, we have the unique opportunity to establish our country as a global centre for excellence in this leading-edge sector.

One company which intends to lead the national effort to seize the opportunities in this dynamic industry is Bell Mobility. BCE Mobile and its subsidiaries, operating under the Bell Mobility banner provide cellular, paging, data and airline passenger communications services and are involved in the sale of cellular hardware and private radio systems. With us today to talk about opportunities in wireless communications, and his company in particular, is Mr. Robert Ferchat, Chairman and CEO of Bell Mobility.

Our guest has had more than 30 years experience at the senior management levels of some of Canada's leading organisations. Before joining Bell Mobility in 1994, he was Chairman and CEO of TMI Communications. Prior to this he held a number of top management positions at Northern Telecom, including President of Northern Telecom International and President of Northern Telecom Canada.

Mr. Ferchat is active in the business community, serving on the boards of several Canadian corporations including Costain Development Corporation, Gennum Corporation, Rockwell International, Hawker-Siddeley Canada and TMI Communications. He has also volunteered his time as a member of the board of the Credit Valley Hospital Foundation.

Ladies and gentlemen, I ask you to turn your phones off and welcome our distinguished guest, Mr. Robert Ferchat.

Robert Ferchat

Last weekend, I was in a shop to pick up some roses for my wife. While I waited for the flowers to be wrapped, I browsed through a rack of posters along one wall. In addition to the usual dolphins and tigers, there was one called

Kids' Letters to God. The first of the eight or 10 letters on this poster really caught my eye. "Dear God," the child wrote, "who draws the lines on the map between countries?" The answer, of course, is both simple and profound: we do. We establish our barriers. We set the limits.

It reminded me of the first time I drove with my children into the U.S. at Detroit, many years ago. My son in particular was nervous because I'd made a big deal about "crossing the border." In the middle of the Ambassador Bridge, I announced that we'd just crossed the border into the U.S. My son, bewildered, said, "But Dad, there's nothing there." He was right, of course. The border that I was trying to impress him with is nothing but an artificial construct. It is a barrier, a limit we have placed on ourselves.

We are much taken up with borders in Canada today, trying to find new ways or give new life to old ways of dividing ourselves from one another. I'm thinking, initially, of Quebec as we approach the referendum within two weeks. But I'm thinking too of other major schisms in our society that seem to be widening and hardening as we leave this century that was, as we all know, supposed to belong to Canada—race, sexual orientation, the haves against the have-nots, immigrants against those born here, First Peoples versus the sons and daughters of European settlers, us against them, me against you. What a debilitating and enervating litany. Would it not be better if we listened to our children, whether they're writing to God or talking with their parents—if we accepted the fact that it is we, ourselves, who put those barriers in place. And if we put them there, surely we can take them down and move on.

That's my message today. There are no limits except those that are self-imposed. We are the reason Sir Wilfrid Laurier's glorious vision for Canada in the 20th century has not yet come true. We can also be the reason it will come to pass, if not in the next four years, then shortly after. The choice is in our hands. As Pogo said, "We have seen the enemy and he is us."

Much of the debate over Quebec in recent weeks—and I suspect in the coming weeks as the outcome of the referendum gets increasingly problematic—has centred on what Quebec and Canada stand to lose should the "Oui" side prevail. Uncertainty would push the dollar down, interest rates up. Capital would seek more secure climates; job creation would dry up. Canada would be out of the G-7. Interprovincial trade would be disrupted. And on and on.

As valid as those observations may be, they make me think of a bicycle rider on a path in the woods. Ahead he sees a big rock. There's plenty of room on both sides to go around, but because he focuses only on the rock—and not the open space—he hits the rock. So let me focus on the open space for a few minutes, and talk about what we have to gain by moving beyond our artificial divisions.

This is a country that nine Canadians in 10—including nine Quebeckers in 10—agree is the best in the world. A country that year after year ranks at the top of the United Nations' human development index. This is a country that has the world's most strategic geography, with privileged access to the world's richest market—the United States—plus frontage on both the Atlantic routes to Europe and the Pacific Rim. This is a country that 30 years ago exported only one-seventh of its output. Today we export one-third and heading for 40 per cent by the end of the century. Seven years ago, we signed the Free Trade Agreement. Since then, our merchandise exports to the U.S. have doubled to $200 billion a year. And Quebec has been a key contributor to all that, including the signing of the FTA. Firms based in Quebec are among the most aggressive in seeking international markets—in going beyond today's artificial national borders and creating jobs and wealth here at home. Names like SNC-Lavalin, Bombardier, Alcan, DMR and yes, BCE, including our company, Bell Mobility. Leaders in Canada's outward-bound, forward-looking business climate. These organisations—and hundreds and thousands of other Quebec businesses of all sizes—are focussed on the open spaces, not on the rock.

My sense, as an Ontarian who works in both Quebec and Ontario every week, is that Quebeckers as individuals feel the same. Their concerns are first and foremost human concerns:

- Will I have a job?
- Will I have good health care and superior education for my children?
- Will I have an opportunity to create a better life for myself, my family and my community?

An SOM poll last August for Le Soleil and The Gazette found that sovereignty is a priority for only six per cent of Quebeckers. Contrast that with 52 per cent who are concerned about employment, and 20 per cent about health services. On October 30, Quebeckers will vote. Our hope must be that they will choose to continue to build the bridges, to break down the barriers that keep us from realising all the opportunities within our reach.

For the next few minutes, I'd like to focus on just one of those opportunities, just one of the open spaces. The industry in which I've spent most of my career—telecommunications—is dedicated to eliminating barriers between people. And today, it represents an opportunity of truly astounding potential, particularly within the limitless world of wireless—cellular phones, pagers, mobile radio, air-to-ground, and soon mobile satellite.

It's interesting to note that Canada's world leadership in telecommunications is traceable not only back to Alexander Graham Bell. In the wireless world, Cape Race Newfoundland was the western terminal of Marconi's first trans-Atlantic radio transmission. And Canadian-born engineer R. A. Fessenden was the first person to broadcast human speech and music over radio almost 90 years ago. Given such a legacy, we see an unprecedented opportunity to build a world-leading wireless industry here in Canada, with all the benefits that come with it—from job and wealth creation to a better quality of life for all Canadians.

Canada today has more than two million cellular users, and half a million people who subscribe to paging services. You can also make and receive phone calls, or exchange data, aboard Air Canada flights. Next month, we'll be launching mobile satellite service that will extend coverage across North America, including up to 400 kilometres offshore. And in a few years, through the Iridium project—a constellation of 66 satellites—we'll cover the world. The industry worldwide is growing at dizzying rates—by 40 per cent or so a year in Canada, 50 per cent in the U.S., 60 per cent in Western Europe and more in some less-developed countries that see wireless as a way to get service to their citizens without the expense of traditional wireline networks. The OECD predicts that by the turn of the century half or more of all telephone calls will involve at least one mobile party.

Canada has an enviable position in the field of first-generation wireless communications. Bell Mobility, for example, together with its partners in Mobility Canada, has invested more than $2 billion in the last 10 years to create wireless networks second to none. We operate the longest uninterrupted cellular corridor in the world—from Windsor, Ontario to Sydney, Nova Scotia. The Yankee Group, an American industry watchdog, says the Canadian cellular networks—developed by Mobility Canada and Cantel—are superior to those in the U.S. in three critical dimensions:

- the coverage was extended to a greater percentage of the population more quickly;
- the quality of service is better; and

- the cost to the consumer is less: our customers pay on average four per cent to 22 per cent less than Americans.

With a record like that, it's no surprise that in our first 10 years of existence at Bell Mobility, more than 20 countries have come to us for help with their systems. In fact, we helped build the cellular system in Bogota, Colombia in just two years—an extraordinarily short time in this business.

The opportunity facing us today, apart from managing the 40 per cent growth in the core wireless businesses, is managing the second generation of wireless, known as Personal Communications Services or PCS at two GHz. PCS at two GHz will allow us to combine voice, data and video in a device no larger than today's cellular phone. I can imagine myself, for instance, on a whale watching trip off Vancouver Island, or on the Saguenay River. I've programmed my PCS handset to send all calls elsewhere—except the critical ones. One of those critical ones is a call about our new television ad. The agency sends me the video which I view on my handset miles from shore, makes my comments and sends them back with the push of a button. Another tough day at the office.

Or imagine health-related uses. Wouldn't it be better, for instance, to have my vital signs monitored and transmitted to the hospital even while I'm at the theatre, or the mall, rather than stuck in a hospital room? Freedom for me; less cost to the health-care system. Wouldn't I want paramedics to have wireless access to my history while we're riding in an ambulance? Think of how we could revamp the health industry, reduce the enormous costs of institutionalised care, and still have at least the same level of care, if not better.

The potential uses for PCS are limitless, in every field. Wouldn't it be better to have my PCS network tell me where traffic jams are, in real-time, and plot alternative routes during rush hour? Wouldn't it be better to be able to monitor my home security system from the road? Or check on my teenage grandchildren by wireless video? That's part of the opportunity of PCS—the extraordinary range of life-enhancing applications that will be coming to market in the next decade.

The other part is the chance to create a Canadian PCS industry so that the world looks to us for the products and services that will make their lives better. As Germans are known for excellent cars, as the Japanese for quality consumer electronics, why not Canada for PCS? The benefits are real and speak to our fundamental concerns as human beings. For example, should Mobility Canada receive a licence for enough spectrum to fully develop PCS, we would invest $2.6 billion over the next 10 years to build the network. The results of our investment alone—not counting the spending by up to five other companies who will compete in the PCS world—are significant: 105,000 skilled jobs, an expansion of 0.3 per cent in the economy and a reduction in the public debt of $6.9 billion. Our vision of PCS and Canada's role is clear: apply the talents of Canadians to develop applications to improve our quality of life at home and to serve the world with our expertise.

No single organisation will do all that, and that is one reason we welcome the increased competition that PCS will bring, with the entry of at least half a dozen new players all seeking to develop applications that serve Canadians and the world. But, as we've seen in the computer business, the dominant applications and their designers won't emerge exclusively from Bell Mobility or Cantel, or AT&T, or Sprint or any other major player. They'll come from small- and medium-size businesses that may not even exist yet, or if they do are unable to focus on the killer application, finding it hard to get capital, enter markets, or manage their growth. And if small- and medium-size enterprises are the source of PCS applications, they are also the foundation of the industry. It's in that context that the members of Mobility Canada have proposed a $135-million PCS Advancement Fund in addition to our spending to build the network and conduct our own R&D. Thirty-five million dollars of the fund will finance pre-competitive research by public research laboratories across the country. The rest, $100 million, will be earmarked for the entrepreneurs to get them started on application development. Our commitment goes beyond dollars to include offering entry into national and international markets, and management expertise to enable them to handle the tremendous growth we predict for them.

There are no limits to what can be accomplished with such a model rooted in a country such as ours. Our multiculturalism, our openness to Asia and Europe, our geographic and demographic diversity, our economic vitality, the level and quality of our education—all these become even more valuable assets in a wireless world. Think of what our expertise could do to meet the needs of others:

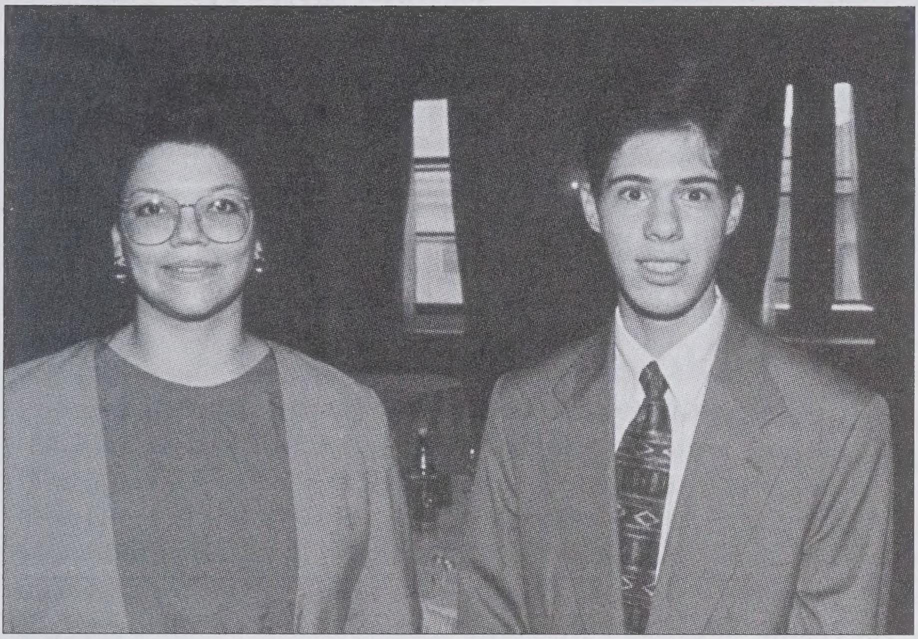
- the Russians who struggle to cope with long distances and a harsh climate;
- the Irish with their tiny domestic market;
- Singapore with its insistence on technological excellence; and
- Chile, faced with building a network from scratch in a challenging environment.

There truly are no limits to what is possible if we move beyond the self-imposed barriers, the rock in the middle of the path, and focus on the vision, on the possible, on the open spaces.

As I said earlier, the arrival of PCS in Canada coincides with the arrival of a much more competitive environment. Industry Canada is now making decisions to allocate six blocks of spectrum among more than 15 applicants. Many of these applicants have strategic shareholders who are giant multinationals. Nothing wrong with that, as long as our own Canadian-based multinationals have an equitable shot to compete. We want Canada to be more than just another market. We want it to be the world capital of the PCS industry. We believe the work we've done to date plus our plans for the future can give Canada an indisputable strategic lead in this field and provide our country with yet one more means to be a powerful force in the global economy. The only thing that might get in the way are the limits we place on ourselves—the lines we draw between provinces, the schisms we invoke between groups of people and the competitive hobbles we might put on our own businesses in an increasingly competitive world.

We have many choices to make in the next few days and months—choices that will affect us for generations. My choice is for a unified country that looks outward and ahead, unfettered by the attitudes and habits of the past. My choice is for a community of interests that, rather than focussing on our differences, speaks to the fundamental needs of people—economic well-being, security in all its dimensions, and a strong sense of self-worth. My choice is for the future. There truly are no limits.

The appreciation of the meeting was expressed by Margaret Samuel, Manager, Capital Markets, National Trust Company and a Director, The Empire Club of Canada.



Margaret Samuel, Director of The Empire Club, with student Nicolas Chapman.

October 26, 1995

Frances Hesselbein

President and CEO, Peter F. Drucker Foundation (U.S.A.)

MANAGING THE DREAM

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Laurie Ludwick, Director of Media Relations, Trizec Corporation; Larry Grossman, Q.C., former Ontario Treasurer and Minster of Health and currently Partner, Blaney, McMurtry, Stapells, Friedman; The Rev. Margaret Tandy, Assistant Curate, St. Timothy's Church, Agincourt; David Crombie, former Mayor and Federal Cabinet Minister and Commissioner, Waterfront Regeneration Trust; Marjorie Sharpe, President and CEO, The Community Foundation of Toronto; Fraser Fell, Chairman, Gentra Inc.; John Cassaday, 1995 United Way of Greater Toronto Campaign Chair and President and CEO, CTV; Her Worship Barbara Hall, Mayor, City of Toronto; David Beatty, Chairman and CEO, Peter F. Drucker Canadian Foundation; Rahat Pye, student, York University; Courtney Pratt, President, Noranda Inc.; John Fisher, former President, Southam Communications and Chair, The Council for Business and the Arts in Canada; Monica Patten, Executive Director, The Community Foundations of Canada; Harri Jansson, Executive Vice-President, Central Ontario Bank of Montreal; Susan Pigott, Acting President, The United Way of Greater Toronto; and Bill Wilkerson, President and CEO, Liberty International Canada.

Introduction by David Edmison

We have a head table of very distinguished people. It is my pleasure to welcome one of those distinguished individuals now, Her Worship, the Mayor of Toronto, Barbara Hall. It is very fitting that Her Worship be here today because she has had a long history as a community leader and activist. She has worked effectively with a number of diverse groups, bringing people together to solve problems and build more livable communities.

First elected in 1985 as City Councillor for Ward 7, she has been returned for two successive terms, the last carrying 71 per cent of the vote. Her Worship has worked with the community to introduce several innovative initiatives to our city, such as the Safe City Committee and the Don River Task Force. She has held a number of key positions while on City Council, including Chair of the Neighbourhoods Committee; Chair of the Alternative Housing Sub-Committee; Director, the Toronto Arts Council, to name just a few. In support of the initiatives of the Drucker Award Foundation, Her Worship has declared that today, October 26, would be "Non-Profit Innovation Day" in Toronto, a testament to her long-standing support of the non-profit sector.

Ladies and gentlemen, please welcome, our mayor, Her Worship, Barbara Hall.

Her Worship, Barbara Hall

Thank you Mr. President. Honoured head table guests, friends and a special welcome to a municipal colleague from Vancouver, City Councillor, Sam Sullivan.

It's a real pleasure to be here today to share with you Non-Profit Innovation Day and to welcome the Peter F. Drucker Awards to the City of Toronto. They have arrived just at the right moment. It would always have been important to have these awards to bring together The Empire Club, members of the non-profit service delivery sector of this city and the corporate community to focus on innovation, but right now it's even more important. We're going through phenomenal change. At the City we're facing change in municipal government; change in how City Hall works; change in our relationship with the government; change on every level. We know we need to have change, but if we are going to have that change happen in a way that keeps this a city which is good to live in, we are going to have to develop partnerships and work together like we never have before. We are going to have to bring every ounce of creativity and resourcefulness that any of us have to do things differently.

These awards focus on innovation and the Canadian non-profit community and come at a very crucial time. I'm delighted that two of the finalists for this award come from Toronto. Thank you very much for coming to Toronto. Thank you for focussing on something we all know is essential and it is a real pleasure for me as mayor of the City of Toronto to proclaim today Non-Profit Innovation Day.

Thank you very much.

Introduction by David Edmison

This afternoon, we are here to celebrate and salute the people in the non-profit sector who have made a difference; individuals, who by striving for excellence have made a valued contribution to society and our collective quality of life.

Quite often, new initiatives in our community are borne out of our search for solutions to real problems and challenges. It is through the generous donations of time, expertise and money by individuals and corporations that services are provided and sustained. People are the most valuable resource in the non-profit sector. Sir Winston Churchill said, "We make a living by what we get, but we make a life by what we give."

Today, our community agencies and services are coping with increasing demands for their services and declining revenues from the public sector. It means managers must be increasingly innovative to meet these challenges. They must adopt many of the systems and management models used in the "for-profit" sector.

One organisation which is playing a leading role in ensuring the health and vitality of the non-profit sector is the Peter F. Drucker Foundation for non-profit management.

Peter Drucker said: "Every achievement of management is the achievement of a manager. Every failure is the failure of a manager. People manage, rather than 'forces' or 'facts.' The vision, dedication, and integrity of managers determines whether there is management or mis- management."

The Foundation which he founded serves as a catalyst that leads the social sector toward achieving excellence in performance while building responsible citizenship. It provides programmes and resources for making non-profit agencies more effective, making innovation a central part of the strategy. With us today, as our special guest, is the Founding President of the Peter F. Drucker Foundation, Mrs. Frances Hesselbein.

In addition to her role with the Drucker Foundation Mrs. Hesselbein is Chairman of the Board of Governors of the Josephson Institute for the Advancement of Ethics. From 1976 to 1990, she was President and CEO of the Girl Scouts of America. Our guest was appointed by U.S. President George Bush to the Board of Directors of the Commission on National and Community Service in August 1991 and to his Advisory Committee on The Points of Light Initiative Foundation in 1989.

Mrs. Hesselbein has been recognised in the academic world and has nine honorary doctoral degrees. She has given the commencement speech at dozens of prestigious universities and colleges throughout the United States. In 1994, she addressed the government's National Performance Review Team and opened the Chief Executive's Agenda Series at the University of Minnesota. She is a frequent visitor to the Harvard Business School, which has published a case study of her work with the Girl Scouts of America. Mrs. Hesselbein is recognised around the world and has chaired the prestigious Salzburg Seminar on Managing Non-Government Organizations for leaders from Eastern and Western Europe, Asia, Africa, and Latin America.

Our guest has been featured on the cover of "Business Week," appears in the management videotape "The Leader Within" and has moderated a number of management audio tape programmes sponsored by the Drucker Foundation. Mrs. Hesselbein was appointed a member of the Kellogg Foundation National Task Force on African-American Men and Boys in 1994, and to the Nonprofit Policy & Leadership Advisory Board of Harvard's Kennedy School of Government. In 1995, she was the first woman to be inducted into the Johnstown, Pennsylvania Business Hall of Fame.

Our guest is a member of 16 different boards, including the Mutual of America Life Insurance Company. She has over a dozen book and magazine citations to her credit, and has been the recipient of numerous awards, including the National Professional Leadership Award, presented by the United Way of America.

Ladies and gentlemen, I ask you to warmly welcome a truly remarkable and energetic leader in and, indeed beyond, the non-profit sector; a person described recently as the "the outstanding manager of our age," Mrs. Frances Hesselbein.

Frances Hesselbein

Thank you very much President David.

Your Worship and all you wonderful friends of the Canadian Drucker Foundation, this is such an honour to be here. I bring you Peter Drucker's greetings and his warm appreciation for the remarkable contributions you all are making to the society. It is a wonderful moment when I can be in a city that is celebrating Non-Profit Innovation Day. I am taking a number of proclamations back with me and wherever I go I am going to say, "If Toronto can do it, why can't we?"

It is wonderful as well to be here for the third Canadian Drucker Award for innovation and to have two award winners present, both incredibly gifted leaders who help define leadership in Canada and far beyond our borders.

These are very uneasy days for over one million non-profit voluntary organisations in the social sector. Peter Drucker uses "social sector" instead of "non profit" because he says "non profit" describes what you are not. He says the social-sector organisations are the future of America and if he were here he would say North America. They lead the way in education, health care, youth and family services, conservation, the arts and religion. In fact, he says it is the social sector that may yet save the society—a very sober but hopeful observation.

My premise is that the social-sector organisations, the stewards of public money and public trust, will have to be well led and well managed. The common challenge affects all three sectors—private, public and voluntary.

The editor of the magazine "Chief Executive," which goes to 40,000 leading corporate chief executives around the world, asked a group of CEOs worldwide to "size up the future." I'd like to share a few lines from the editor's comment on the article, "Beyond the millennium." He said: "What are the major challenges affecting business leaders beyond the millennium?" For its one hundredth issue "Chief Executive" asked a number of leading CEOs from different industries around the world to look over the horizon and tell us about their greatest long-term tasks, because the future is crashing into the present with frightening speed.

I was surprised to be one of those invited to write my views of the most pressing tasks ahead for tomorrow's leaders because I do not head a giant multi-billion-dollar corporation. I responded and presented just three critical challenges I believe leaders in all three sectors will face beyond the millennium. In February the issue was published with photographs of 19 leaders and their views. Eighteen were men who do head giant corporations including Coca Cola, BMW and Intel and I was the nineteenth. Now if I had been asked to write the three most pressing tasks for the Bank of Montreal, the Toronto United Way or the Canadian Red Cross, my response would have been identical because I believe they are common to all of us in all three sectors. I chose to present three in nine sentences and I would like to share them with you.

The three major challenges CEOs will face have little to do with managing the enterprise's tangible assets and everything to do with monitoring the quality of leadership, the work force and relationships. The first challenge requires understanding that leadership is a matter of how to be, not how to do it—communicating vision, unleashing the power of disbursed leadership and embodying the organisation's values. This will be basic and indispensable in a tenuous future.

The second challenge is building a competitive work force for the future. This requires banning a hierarchy that limits and constricts and skillfully leading a diverse work force and then building a productive workplace where teams and individuals can maintain and attain high performance.

The third challenge blurs all boundaries—forming partnerships that will restore the cohesive community—and this transcends the corporation and if unmet will diminish it. Government alone cannot meet burgeoning social needs and this is true all over the world. The corporation cannot take on the responsibilities the government is relinquishing. The voluntary social sector alone does not have the resources to meet the needs of children and families and communities. CEOs must therefore give leadership to the new partnerships with public, private and social sector leaders working together as equal partners, not as donors and recipients, to build the cohesive community.

After the magazine came out a corporate leader wrote to me and said, "Your comments in 'Chief Executive' 'Beyond the millennium' make great sense to me. I believe the three challenges you described are three legs on a stool, yet I see leaders attending to just one or perhaps two of the legs. The challenge to all of us is to be very sure that the voluntary-sector stool has three sturdy legs."

These are the stormiest seas I have seen in my career as CEO for 25 years. Life is incredibly more difficult for children, for families, for workers who want to work and have no jobs or can't make enough to live on, for young people deprived of adequate education and training and for our communities that have lost their cohesion and hope. The backdrop for this meeting, as Drucker tells us, is the most massive change in over 200 years. It is global change. Unlearning yesterday's lesson and learning tomorrow's will be a great challenge for all voluntary agencies and their funders. Each organisation in every sector needs to challenge the gospel of what is working today but will have little relevance in tomorrow's tenuous environment. Board and staff have to challenge every policy and practice and procedure assumption.

We ask our governing boards and management: "Have we dared to unleash the power of disbursed leadership moving shared decision making to the very outer edges of a circle and have we made our recipients full partners, not focussing on providing energy but releasing energy?"

New partnerships are key to success. In late May I flew to Milwaukee to join General Electric's leadership development trainers from New York where together with the Drucker Foundation they presented a day-long conference to all the non-profit voluntary community organisations and the United Way. Now in the morning the GE trainers presented change-management tools that worked for GE and in the afternoon I presented the challenge of accountability using the Drucker self-assessment tool you have out on the table. There we had the example of a partnership of a giant well-managed corporation collaborating with a very small Drucker Foundation and the United Way and all the Milwaukee community agencies in a conference that helped those who serve be more productive, provide better service, and strengthen the whole community. GE said if it works we'll do it three or four more times. It worked. We have already done three with several ahead.

One reality that we are faced with is that donors no longer reward good intentions; they reward results. When the Drucker Foundation published the self-assessment tool, it was to help organisations that say, "You tell us we have to achieve excellence but how do we know when we get there?" It is very clear that in 1995 we measure what we value and we value what we measure when we manage for results.

Last June I arrived in Buenos Aries to conduct Argentina's first-ever conference on managing non-profit organisations. Argentina is working to build a third sector in this rapidly changing civil society. After 50 years of social disintegration the government declared that our seminars were of national interest and we presented three days of seminars on leadership and management. Our team of five did this; three from Drucker, two from Andersen Consulting and the response was overwhelming. On the last morning, instead of 250 registered participants for our day on moving from good intentions to great results, 850 men and women arrived in the Pacific Auditorium. It filled with energy that fairly crackled around the room and a woman came up to me and said: "I have driven 1700 kilometres to be here." Now they are determined to build a third sector. They are determined to change lives and strengthen a nation with absolutely no tradition of individual and corporate giving. They are determined that they are going to build this healthy voluntary sector that is so indispensable to a healthy society. I came back moved, inspired. I go back again in May.

To sum up the challenge to non-profit is to scrap the turf and the lone ranger approach and then with our vision and missions and all of our systems and policies and procedures in place we take the lead as we look for partners—these new alliances that will multiply and impact on results. All along the way we communicate over and over what we do, why we do it, how we do it and with whom. We see our donors as valued partners and we see those we serve equally as our valued partners. They all become our partners in communicating results, communicating with all of our customers, all of our public in every way that human beings communicate. It is called daily hard work. We say to the leaders of this voluntary sector, "Take the lead, ask the few critical questions, define the new realities, build these alliances that will multiply and welcome." It is a visible, difficult, demanding and exhilarating role, leading a nation to a new era of compassion, inclusiveness, cohesion and appreciation. Those who travel with us as equal partners will be those we serve, those we serve with and those who share this vision of healthy children, strong families, good schools, decent neighbourhoods and work that dignifies, all embraced by the cohesive community. It is called managing the dream and this is what we honour today in Toronto.

The appreciation of the meeting was expressed by John Cassaday, 1995 United Way of Greater Toronto Campaign Chair and President and CEO, CTV and David Beatty, Chairman and CEO, Peter F. Drucker Canadian Foundation.

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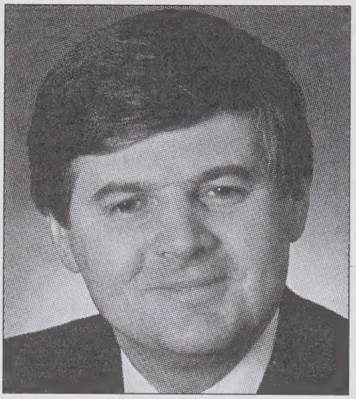
David Edmison, President of The Empire Club, David Beatty, Chairman, Peter F. Drucker Canadian Foundation and Her Worship Barbara Hall, Mayor of Toronto watch guest speaker Frances Hesselbein.



November 2, 1995

Frank Clegg

General Manager, Microsoft Canada

TRENDS IN COMPUTER TECHNOLOGY

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Bill Whittaker, Q.C., Partner, Lette Whittaker and an Honorary Director, The Empire Club of Canada; Simon Strauss, grade 12 student, Jarvis Collegiate Institute; The Rev. Michael Caveney, Minister, Glebe Presbyterian Church; Larry Wasser, President and CEO, Beamscope Canada Inc.; Marjorie Sharpe, President and CEO, The Community Foundation of Toronto; Harry Seymour, President and CEO, Pathfinder Learning Systems Corporation and a Past President, The Empire Club of Canada; Diana Chant, C.A., Partner, Price Waterhouse and Treasurer, The Empire Club of Canada; Peter Turner, Warden, Hart House, University of Toronto; Zul Abbany, Vice-President, Marketing, Digital Equipment of Canada; Carolyn Leitch, Technology Reporter, The Globe and Mail; and Rick Doyon, Vice-President, Advanced Technology Practice, Hill & Knowlton Canada.

Introduction by David Edmison

Around the turn of the century a group of German engineers were invited to a demonstration of a revolutionary new technology. Of the

500 or so asked, only a handful showed up. The others were apparently intimidated, worried that this new technology would render them redundant or would simply be too difficult to learn. What was this revolutionary breakthrough? It was the telephone! While today, the telephone is among the most common of household items, and no one would consider it too difficult to use, in the beginning, how could anyone have predicted its profound effect on our world.

This same type of resistance to change and intimidation by a new technology was no doubt prevalent when the personal computer was first introduced to the marketplace. After all, not since James Hargreaves invented the spinning wheel and Edmund Cartwright the power loom 200 years ago has the world witnessed such a dramatic technological revolution. As we approach the 21st century, at the vanguard of this revolution, is Microsoft Corporation, a company committed to making computers more user friendly.

Microsoft Corporation is the largest producer of computer software in the world. It dominates the personal computer operating systems and desktop operating systems market, serving an estimated 150 million people. Recently, the company's market domination was secured with the introduction of "Windows 95," launched on August 24, in one of the most ubiquitous marketing campaigns ever witnessed. "Windows 95" was recently described as the technological "epiphany," offering users greater applications and efficiency.

Recognising the importance of technology and the contribution of Microsoft, the company's Chairman William Gates was received by our prime minister and a dozen other world leaders to exchange views on technology. This is a testament to the power Mr. Gates and Microsoft have earned in a relatively short period of time.

With us to today to talk about this dynamic company is Frank Clegg, the man who oversees all the sales, support and marketing services for all of Microsoft's Canadian operations. Mr. Clegg graduated with a degree in Honours Mathematics from Waterloo University and currently sits on their Alumni Board. Our guest joined Microsoft in January 1991. Under his leadership Microsoft Canada has achieved unprecedented growth and has earned Mr. Clegg Microsoft's prestigious "Presidents Award" for fiscal 1991, 1992 and 1993.

Mr. Clegg has undertaken a number of initiatives since his appointment. He has introduced Microsoft Consulting Services and expanded the reseller channel and Solution Provider programmes in

Canada. He has also led Microsoft Canada in their re-engineering effort called Blueprint '98.

Obviously Mr. Clegg plays a key role in the Microsoft team, a team committed to making the personal computer as much a household item as the telephone.

Ladies and gentleman, I ask you to welcome our special guest, Mr. Frank Clegg.

Frank Clegg

David, thank you very much for those kind words and warm introduction. Thank you all for taking the time out of your busy schedules to join us. I know you have a lot on your calendars these days.

David made some comments about technology and the impact microprocessors have had on our lives in the last decade. Fundamentally, we believe the change that we saw in the last 10 years is going to be accentuated. In fact, personal computers will have more of an impact on our lives in the next decade than in those previous 10 years. I would like to speak about our vision and the key trends we see in technology over the next decade, as well as some of the implications for us at home and in the workplace.

Microsoft is celebrating its 20th anniversary this year and I think there are a couple of things which really make us a pioneer in this environment. If you think back 20 years ago, there really wasn't anything called a personal computing device. There are two elements that have built up our technology, our focus and our success as a company.

The first is a clear mission—a mission to have a computer on every desk and in every home. Our focus is to develop great application software to allow that mission to happen. I do a lot of work with advisory councils and board members, and what makes Microsoft unique is that this mission is clearly understood by everyone—our chairman, our co-op students or our contract people.

The second thing is that Microsoft has a clear strategy to obsolete our own product. You talked about Windows 95. It's a bit of a challenge to have this great market share and market acceptance of a product, while consciously developing another product that will cause the former to be obsolete. We feel that if we don't do that our competition will. So we are encouraging our organisation to figure out how it will evolve in this industry. We think this is a critical component for survival.

There have been several introductions of technologies over the last couple of decades. One key indicator of a technology's public acceptance is the length of time it takes to get into the first 10 million homes. The telephone took more than 35 years to get into the first 10 million homes. The personal computer did it in less than seven years, so we are fortunate that we have chosen the right technology in terms of something that was going to be accepted very early and very quickly. The challenge that we have is determining the next technology that will transcend the previous one and be accepted as readily in the marketplace.

In the industry today, there is considerable discussion about what the future technology will be. Will it be the phone companies? Will it be cable companies or will it be satellites? What will the world marketing companies be? There is still a lot of debate and uncertainty. Some things are certain though. One is that we are converging on a digital world. We will have two-way communication and we will have incredible price performance. The other thing that will happen, and there is no debate about this, is that consumer technology and computer technology will actually converge. You're starting to see that today.

In fact, more computer chips are shipped today for use in devices other than personal computers. If you start thinking about chip technology, you start thinking about automobiles, coffee makers right through to bathroom scales. One good example of this is that on the weekend, we all changed our clocks back to eastern standard time. In almost every clock that we set back, there is some chip technology involved.

The challenge that we have as an industry is how you make that technology work together in a seamless environment. We do think though that consumers are ready for this technology. You may think of the wide acceptance of banking machines. I think the majority of people today have an instant teller machine card and feel very comfortable going in and using it to withdraw cash. When we think of the phone interface, it is used for anything from cashing Aeroplan points right through to ordering some material from a catalogue system.

A third of the homes in North America today have a personal computer. If you have children, that ratio climbs to 50 per cent. We think the figure will grow at least 40 per cent over the next several years so that within two years, 50 per cent of the homes in Canada will have a personal computer. The other thing that is happening in the industry is that there is a major investment in home technology. We are buying the latest and greatest technology for our homes. We believe the standard configuration this holiday season will be an Intel-based Pentium processor PC with full multimedia, some full video, voice, graphics and a modem so you can wire out to the network.

Clearly, the trend is that we are now buying better technology for our homes than we have in the workplace. That's something we are struggling with in our organisations today. It's a situation where I may have better technology and tools in my house than I have at my work. So we do think computers and people are ready. If you go back 20 years and you compare the processor that we shipped then versus what's available in the marketplace now, today's processor is a million times more powerful.

It's very difficult for people to grasp, as we do not deal with exponential growth as individuals. When I say that we're going to have a 10,000 MIPS (millions of instructions per second) processor engine in five years, it's really hard to comprehend what that means. I will try to give you one small example. For those of you who have a personal computer today, there is storage space that could hold, for example, a gigabyte of information. A gigabyte of information allows you to store a full 26-volume encyclopedia. In five years, that will be in the memory piece of the machine itself.

This technical advancement creates an incredibly positive spiral for us as a software developer because we know that the technology is limitless in terms of the power of these machines. We get to create incredibly rich content and incredibly powerful software that we can give to you and our customers to use. As we create even better software, more customers will use it. This will drive the demand for more technology which drives the price of that technology down. This then allows us to create greater software. So we think it's a very positive spiral and we think it will continue.

As we head toward a digital world, the other element that we will see develop is the movement of communications to digital technology. The opportunity is the price performance that you are seeing in the processors and in telecommunications. It is going to be very inexpensive to send these full video images across the telephone lines, through the cable systems or through the satellite. There again, we have the opportunity to create these great applications that involve sharing information around the world in a very cost-effective format.

We have to start rethinking how to use the computer, particularly in organisations. There is a lot of time and effort spent on internal efficiencies. Initially, we did a lot of work on internal efficiencies such as payroll or operational applications. Today there is a lot of hard work going on in the industry to use this technology to help re-engineer the business process and to help us drive international competitiveness as Canadian companies. There are companies today struggling with getting thousands of business partners or customers on their system and sharing that information.

Our vision of the future is that you will now want to start thinking about having this technology available to every individual customer you have. The challenge is to increase from tens of thousands of customers talking to you at work in your systems to potentially several hundred thousand or even millions of customers. The work that we are doing today will build the foundation for that. Let me give you a few examples of some of these things. There is a company that we worked with in the Calgary area that sells office products and all of their sales representatives have personal computers that have compact disc technology, allowing them to go into their customer's office and show a very rich slide presentation of the product.

If the customer is interested in a particular product, the salesperson can actually call up a video clip, show the technology being used and take the order right in the customer's office. Later on, he can go home, to the office or to a hotel room if he is travelling and download the information to the server for verification. If there is any new sales or inventory information or any product that has just been announced, he can take that down through the telephone line. This application is shipping today in the marketplace.

We are working with the Ford Motor Company. Through the Microsoft Network, you will be able to sit in your home and configure and design the automobile that you want from Ford, pick the colour scheme you want, pick the features you want and you can even see the car in your favourite scene. Ford wants to be able to then send somebody to your house to take you for a test drive in the car that you have just selected. Then you make the decision. You may even decide to buy that car right there or you may decide to go back through the network and price it out or get other options. That technology and that platform are available today.

An application that's probably a little closer to me is a European one where you can actually sit down and go through a series of questions and select the appropriate wine for dinner. You can then order it and have it delivered to your house the following day. What we are finding with that application is that people are spending more per bottle of wine than they would have if they had gone out and picked it up themselves. Again, this technology is shipping today, so the opportunities are fantastic.

As consumers, we start to take advantage of this and start to feel very comfortable when we think about the opportunities ahead of us. What are the major implications? It's our belief that every industry, sector and business today will be impacted by this growth and this explosion in the on-line interactive world. If you think about the retail environment today, a big advantage of retail is location, location, location. If I were to give you the technology and the ability to go and choose a sweater from anywhere in the world or a suit from any country in the world, you might actually have your image scanned on to this personal computer device. You could see this suit in a particular colour on your body in a certain scene. Then you could purchase it and have it shipped to your house. In other words, it gives me the opportunity to get the best of Scottish sweaters or certain shoes from different parts of the world.

If we replace the retail model with an electronic shopping mall, then retailers will really have to start to rethink the value that they provide. I am not suggesting for a minute that we're going to get rid of shopping. Certainly my wife will never click on a mouse to do all of her shopping and neither will I. Quite frankly there are certain things that I will go out to shop for because I want to go out and shop, but there are certain things that I just detest buying and now I will have the choice as an individual. If you think back to the movie industry when video came out, people were predicting the end of the cinema. Well cinemas have increased in popularity and revenue since the introduction of the video. Now you hear people saying, “Yes I’ll go to see that one at the theatre, but I’ll wait until this one comes out on video.” We have differentiated between a show that is worth the money to see on the big screen and one that is not. I think similar things are going to happen in this on-line environment.

We’re doing some work with a couple of business partners so that you can actually download Microsoft software through the Internet and purchase it electronically. Again it’s something that our business partners thought was worthwhile. What I find interesting is that it’s not our largest business partners who have come forward with that idea. We talked to them about it. They either didn’t feel it was appropriate or they weren’t ready to do it. It’s a couple of companies that you really haven’t heard about that were experimenting with it, and are similar to the companies we’re talking to today.

Look at what Bayshore Trust has just done this month in the Canadian marketplace. We now have the ability to go through the Internet and take out a loan and Bayshore commits to having that money in your account in 48 hours. It’s the electronic world that allows this to happen and Bayshore is not exactly one of the top 10 in Canada, but it is leading the edge in trying and experimenting with different technology. I think that is exciting.

I’m going to talk a little bit more about the Internet. What I want to do is give you an example of some of these happenings. I picked the home page for the Swatch Watch Company. I picked this one because I think it is interesting. I can select the things that I want to see, or I can also select the things I don’t want to see. As a business there has to be some encouragement for our customers to look at our information, to look at the products and services we have available. We want to make sure that there is an attractive thing to do, and that's exactly what the Swatch Company has done. It's a very enticing, exciting, very graphical kind of picture encouraging me to go in and check it out.

The next step is now you have the ability in an on-line environment to take the pieces of this watch and put it together. My folks tell me that it takes about 15 to 20 minutes to do this. I haven't done it yet but I am going to do it. I think it's an exciting thing to try to do. And if you go through this process and spend the time, then Swatch will send you a coupon for a watch discount. That person just spent 15 to 20 minutes doing this. What does that tell you about that individual? What does it tell you about the opportunity to cross-sell to that individual? We are starting to really understand and learn about our customers and have our customers tell us some fascinating things about themselves and their business and what they're interested in. This is a very quick analysis without a lot of detail, but it reveals the opportunities.

Consider some of the traditional things that you would spend money on in your household. We see a shift in market share from the traditional environment to this on-line interactive world. In some areas like TV shopping, this shift could be as high as a 75-per-cent share shift. We think, fundamentally, that anyone who is doing TV shopping today would shop in the on-line interactive world because we can give you better-quality pictures and better selections. In some areas like retail merchandising, it's going to be a smaller amount, like a two-per-cent shift, but two per cent of a fairly large number. When you pull it all together we think the opportunity is at least $1,500 per household per year and in that we are not making any major decisions or any assumptions on a shift in terms of new applications. For example, when the automobile came out, there was a whole industry of service stations and mechanics and repair centres that came out of that.

We are not trying to project any of this. This is just raw material of what we know today and what we know is available.

I want to talk a little bit about the Internet. In his opening remarks, David talked about the impact the telephone has had. We use this term in Microsoft called a "sea change." We view things like the introduction of the telephone or the introduction of the personal computer back in 1981 as a "sea change" around the world and in the industry. We think the Internet is that same kind of major change. What this does is phenomenal. Really the Internet has been around for 30 years. It was developed initially from a defence standpoint and in an environment for people in an academic world to share great ideas and information. It just exploded in the last year to the point that any business, if it is not actually including this in some of its material, runs the risk of being viewed as a technology-illiterate company. You see all these companies that are generating home pages because they feel pressure to do it. The good news is that anybody can put content on the Internet and anybody can access the Internet. The bad news is that anybody can access the Internet and anybody can put content on it. So companies are putting their content up there but the real test is how often do they upgrade it. Have they got their best people working on their content?

We think the opportunity and the way we are approaching it is really two-fold. We have something called the Microsoft Network which is an on-line interactive environment. Our strategy is to be a civilised community on there. In other words, we create this environment for business which is very secure, where there is a lot of strong infrastructure to encourage you to put your best content on there and perform secure transactions. With customer information secured, our customers are going to feel very comfortable putting their Visa Card, or their Mastercard or American Express Card number on the Internet. And parallel to that we think there is an opportunity to create great tools so that people who are creating these applications and creating this material can do it in a very efficient way.

Everything we're doing in terms of tools and applications and platforms is designed to enable you to leverage the Internet and leverage the expertise that we have built in terms of developing great applications.

What I would like to do right now is to just show you something that we are doing. You may have heard of our agreement with the people of New Brunswick and what they're doing over the next several years. They are taking all the curricula that they have in kindergarten through to grade 12 and are putting that on the Microsoft Network. The strategy behind this is to include the rural parts of New Brunswick where they may not be receiving the same variety of course material as urban centres. Students will have the capability to use a PC to access new course material not offered at their school.

This will evolve over time as this service doesn't have to be limited to a student in New Brunswick. Why couldn't it be a student in Australia or a student in Europe? Information could be shared with students from around the world. In this scenario, there is no reason why we couldn't export this to the rest of the world. We are very excited about the opportunity, so we're doing a lot of work with this consortium in New Brunswick to pull this course material together and to make it very effective.

What I thought I'd show you today is a subset of that which talks about the opportunity from a retail standpoint. We are in a campus environment so of course most of us would be familiar with the library and the bookstore from our university days. This bookstore environment is very similar to what you'd see today. I am just showing you a copy of the slides. What we could do is sign on to the Microsoft Network and have this coming over the telecommunication lines. I've elected to do this locally but in a real-world environment, speed and price performance will advance as telecommunications become more and more effective.

We will be able to have people working around here sending down richer and richer images. So you can click on the kiosk that's here in this environment. You can go in and look at it and set up different kinds of material that you could pick. Let's pick operating systems and we'll pick Windows 95 to look at. As you can see you can put a lot of different material here and a lot of different information. We can preview the title, and again you can decide what kind of material you want to put up. We can continue the preview and even get to the point where I want to order this book. I said, "Yes I've seen enough of it, I want to order it." Now if we were running on-line, it would have my ID on here, it would have my Visa Card if I wanted to put it on, or I could enter it myself. And again this technology is available today. This is not something that's five years down the road. This is technology we are working on with our business partners to roll out today.

As we go forward, if you really start to think about the opportunity from a real information-highway standpoint, it's incredibly exciting to us. You talk about the personal computer but we think this is going to expand, and that the device is going to be more than just a personal computer—it can be really any electronic device out there. Any device that our customers are using has a real opportunity to have two-way communications so instead of our guessing what content we think they want or what material we think they're interested in, they are going to be able to give us immediate feedback and immediately interact with us and tell us whether that works or not. From a business standpoint, if you have that information, it's almost near perfect information about customers, in terms of what they can do and the capability they have. We are going to continue to evolve this technology and have the flexibility to allow our customers to really make some decisions on what they would like to use.

There are some things that have to happen from an evolution standpoint. Without going through a lot of details, there are some core things we have to do in the larger account environment, the large enterprise environment, and the thinking is evolving. We used to think about the mainframe system being the centralised storage for all the data that we'd ever want to know about our customers. Well in the scenario that I am painting for you, there is not going to be one central place for all this information. So we have to evolve this technology to be able to share this information among a lot of different distributed systems. We used to think that if you wanted to do a banking transaction, you would go on to the bank's network and you would move that information around. Well our thinking is changing with the Internet explosion and all these on-line services. You may not in fact use that proprietary network. It may be more efficient to go through some other system.

And then finally, we used to think of this client, in other words, the front-end system, being something that would be a PC device. Well it will have a lot of PC technology in it. I am not saying it will be a toaster. I think it will be a little more sophisticated than a toaster, but it could be a palmtop machine. It could be your broad TV interface. So again the technology has to evolve to make that all very similar and very easy for us to use.

We've got a lot of work to do in security and Microsoft has just made announcements with Visa and American Express. We as consumers have to feel as comfortable putting our Visa account number on the network as we do handing it to someone in a store or giving it to somebody over the phone. Today we feel comfortable for some reason giving somebody that information over the phone. Well, we have to make it so that you are at least that comfortable putting it on the network. There's a lot of work under way with our business partners to do that. As you can see in this example, we are even using the cash register receipt. We're going to give you a copy so that psychologically, you feel good about it. We're going to give that same kind of look and feel to it.

There's a lot going on in usability. I mentioned that a third of the homes in Canada have a PC. About two-thirds of them don't today, and it's not an affordability issue. The reason is that people are not prepared to spend the time or there is an intimidation factor. We have done a lot in the last two decades to make that person-machine interface more effective, more functional and a lot easier to use. We could do a lot more.

We just announced a product called Microsoft Bob. On the screen, there's a door knocker so the first thing you do is knock on the door. Then the door opens up and you go into this room. You can configure this room as contemporary or traditional. You've got this room set up as a family room and in it there is a little clock for your calendar, so you don't launch Microsoft schedule, you open up the calendar. If you want to write a letter, you don't launch Microsoft Word, you open up a letter writer. We have these little characters that come up. I'm showing them in the upper right-hand screen. These warm fuzzy little characters can offer help by saying, "I notice you're having trouble, would you like me to do something?"

The problem we have today is if you do something wrong, we beep at you. We want to talk about a nicer, friendlier way to do it. You can pick whether it's a fuzzy little dog or some other character. If you want something with an attitude, we even have this little rat. Then you can evolve to things like natural languages, voice or other kinds of technology. We are spending as much time on how you work with the PC more effectively as we are on adding features. With many of the features that are available today, some customers are not sure how to use them, so they need help. As computing gets more and more sophisticated, we can actually have a feature working in the background watching what you are doing. It can then pop up on the screen and say, “Hey did you know there’s an easier way to do that?” or “I see you’re struggling, would you like me to help you?” Then you can actually enter in an English sentence saying, “Yes I would like to know how to paginate this document” and have the machine come back and say, “OK let me take you through the steps to do that.”

This is the kind of work that we’re doing. For feedback, we’re getting people to sit down at a screen and we’ll watch what they do. We track eye movements and facial expressions to find out how they are doing and we’re investing a significant amount in this because that’s what we need to do. The other part that’s interesting is the whole content evolution. We have an opportunity here and if we do it right it’s an incredible opportunity in the marketplace. If you think back a few years, if you wanted to create something in a very sophisticated graphical environment and print it, you typically went to a specialised area that would do it for you and then came back with incredibly rich content or information. Now that device was typically some kind of a closed system that could be anywhere from $50–80,000.

Today we have the technology, using a Windows machine, using something like Microsoft Publisher with a very good quality colour printer, to do a similar job for $5–7,000 from your desktop. We view the opportunity and the content the same way. We’ve acquired SoftImage which developed the tools that Lucas Films used to create dinosaurs in Jurassic Park. This is a very sophisticated system and it’s incredibly amazing to watch this technology. In fact, you have to go on a week-long course to learn how to use this system. It’s so sophisticated. We’re going to announce in the next six months that technology for the Windows NT platform. So you will be able to buy a desktop PC and the software to create the same quality content that Lucas Films creates for movies, but right in your home or on your desk at work. That's at one end of the scale.

At the other end of the scale, we are also launching a product in the holiday season called 3-D movie maker. You can put this on a basic Windows 95 machine and create your own movie. You will be able to bring in characters from a selection of 40 and you can pick the motions and the facial expressions you want. You can actually record your own voice or other sound clips if you have a microphone. That technology will be shipping for about $70 and so the whole idea is centred on content. We've got an incredible opportunity here and we should get very good at it.

Many innovations are going to happen. If we talk about replacing the brick and mortar out there or replacing all these banking outlets, we have to get very good at things like kiosks. If you think about it, when was the last time you were physically in your bank? It was probably 60–90 days ago. You only go to your bank for very specialised things. I like to go in every once in a while and show the bank a picture of my house so my house knows who really owns it. Then I have to go to re-finance my mortgage. But if you think about it, why do you need to have this bank outlet? Why couldn't a kiosk deal with all this material? Why couldn't that be in your home? You also think about why a company's headquarters needs to be on Bay Street. So those are the kinds of things we have an opportunity to deal with as businesses, but as consumers, there's an incredible opportunity in front of us as well. When we built software over the last decade, we assumed that the processor speed would not be limited. In other words, we almost assumed that the power of the machines would be unlimited so we could do anything with the software. As we move forward to the next decade, we are also making the assumption that the speed on the telephone or the cable line is going to be unlimited so we will have the ability to share this information and send it out. This is where we're developing software.

I thought I'd spend just two minutes on our focus from a Canadian standpoint. As a Canadian, I am really excited about the opportunity that we have. Let me give you the statistic that I base this belief upon. In a character environment of just text information, Canadian software companies like Corel and Delrina have two per cent of the market around the world. In a graphical environment where there is a lot more content and creativity, Canadian companies have 14 per cent of the worldwide market. And I think, if you go around and you check all those places like Lucas Films, the majority of people on staff are Canadians. There are a couple of reasons for this. I think our rich multicultural environment where we encourage this kind of creativity and richness in our lives allows us to create great content. I think as Canadians we have a great opportunity.

The second piece is found in this vast country of ours. We are used to geographic challenges. Technology is a great way to overcome some of them, so if you combine these two things plus good old Canadian ingenuity, I think we have an opportunity as a nation to really lead and take more than our share. We are very aggressive in the schools in terms of supporting them and we're working very hard to make sure that the Canadian tree of the Microsoft Network is the best tree of any subsidiary in the world. So I am very excited about this and we're trying to get our business partners up to speed as fast as we can. The thing we're doing in New Brunswick is the first project around the world that Microsoft has done in the kindergarten to grade 12 environment. It's my job to make sure that my team is focussing on those kinds of opportunities and our job in this room is to make sure that we're exploring all these opportunities as well.

What can you do as an individual or as a company? I really encourage you to embrace this technology. If you haven't gone out and spent some time on a personal computer, just go and buy one. Don't wait. Get on this technology and get on it in a big way and have some fun. As an organisation I think you should be very conscious of the ability of this technology and I think you should make a decision as to whether you're going to lead or you're going to follow. I worry about people unconsciously doing nothing. If you're going to lead, then get out and lead very aggressively. If you're going to follow, have a coverage strategy so that if your competitor—and you may not even know whom they are today—comes out with something, you are able to get out there in several months and not several years. And as an individual, I encourage you to get involved, go out and buy 3-D Movie Maker over the Christmas holidays or Dinosaurs or the Magic School Bus. Just embrace and understand this technology.

As an organisation you should be encouraging your people to get expertise. We should be tracking the expertise that we have in this environment. We think one of the biggest impediments to this technology being accepted in industry in the next five years is the skills of the people to implement it, not acceptance by our customers. The biggest issue I have in dealing with my large account customers is finding the skills either internally at Microsoft, at their own organisation or in our partners to be able to implement this technology.

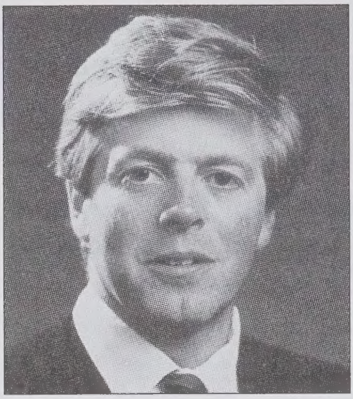
We're very excited about the future. We have a vision that we started in 1990 to have information at your fingertips. I think the information has changed. I think it has changed in many forms. It could be video clips or it could be just a variety of different things. Information at your fingertips can be stored anywhere in the world on a variety of different platforms. As I said at the beginning, I think we've had a major opportunity over the last decade and I think over the next decade we're going to see even more excitement and more of an opportunity from a personal standpoint and from a business standpoint.

I thank you again.

The appreciation of the meeting was expressed by Harry Seymour, President and CEO Pathfinder Learning Systems and Past President, the Empire Club of Canada.

EMPIRE CLUB
NADA
1995

Frank Clegg addresses audience as head table guests Harry Seymour and Marjorie Sharp look on.



November 9, 1995

A joint meeting of The
Empire Club of Canada
and
The Royal Commonwealth
Society

The Earl of Lindsay

Parliamentary Under Secretary of State, Scottish Office

SCOTLAND AND CANADA

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Anne Libby, Co-Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada; The Rev. Dr. Malcolm Sinclair, Minister, Metropolitan United Church; Bryan MacDonald, Senior Fellow, Faculty of Environmental Studies, York University; Peter Cameron, Hon. Colonel 48th Highlanders; Ronald Goodall, Partner, Goodall & Peacock, President, The Royal Commonwealth Society and a Past President, The Empire Club of Canada; Duncan Jackman, Investment Officer, Personal Trust and Investment, Cassels Blaikie and a Director, The Empire Club of Canada; Camilla Dagliesh, Former Chair, Royal Botanical Gardens; Peter Davies, British Consul General; The Rev. Canon Harold F. Roberts, Rector, St. Timothy's Church, Agincourt and a Past President, The Empire Club of Canada; and Hartland MacDougall, Deputy Chairman, London Insurance Group, President, The Royal Agricultural Winter Fair and Honorary Treasurer, The Empire Club of Canada.

Introduction by David Edmison

> "Last night I had the strangest dream
> One I've never had before
> I dreamed that all people in this world

Had put an end to war."

Those were the beginning lines of a touching poem written by serviceman Edward Walkowski, a young soldier who unfortunately never saw the realisation of his dream. He was killed in action at the young age of 19. His poem of hope, endures.

It is just over 50 years since the end of World War Two and today we reflect on those, like Edward Walkowski, who gave their lives to make this world a better place. To them we owe our freedoms and we shall never forget their sacrifice.

Since the beginning of the century we have survived two major conventional wars which have taken over 50 million lives. In addition, almost 20 million more have been claimed since 1945. These wars have had a devastating effect on humanity. They have also had a devastating effect on our fragile planet. The environmental damage caused by war has been monumental. We have only to remember the burning oil wells from the Gulf War, the tragic legacy of a misguided scorched earth policy. Today, we have a duty to preserve our environment, just as we have a duty to preserve the peace for which so many fought and sacrificed. The two great wars are over but the battle to preserve our environment rages on.

With us today as our special guest is the Earl of Lindsay, a man who has been active in the environmental movement all of his adult life. Lord Lindsay graduated from Edinburgh University with a Masters in Economic History, then moved on to North America to study Environment and Landscape at the University of California. He is a Landscape Architect by profession and in 1992 established a practice specialising in the practical and political aspects of landscape; land use and environmental transport; energy and waste; environmental impact and compliance.

He served as Chairman of the Landscape Foundation from 1992 to 1995. He is President of the International Tree Foundation and serves on the Advisory Council of the World Resource Foundation.

Lord Lindsay was appointed to John Major's government as Parliamentary Under Secretary of State at the Scottish Office last July 8. Prior to this appointment, he was Government Whip in the House of Lords and Government spokesman for the Department of the Environment, the Scottish Office and the Department of Agriculture.

I've heard it said that a farmer is "a person, outstanding in his field." Well our distinguished guest is all of this and much more; he is farmer and woodlot owner, a respected peer of the House of Lords with an impressive background in environmental reform.

Ladies and gentlemen, I ask you to welcome our distinguished guest, Lord Lindsay.

Lord Lindsay

There is an old story which may have been embroidered—you know what legends are—but which, for the most part, is founded on fact. It is a touching story at any rate, worth recalling on an occasion like this, because it provides a link between the saddest day in Scotland's history and the most glorious event in Canada's past.

After the Battle of Culloden, as the Hanoverian General Hawley, who had an even crueller reputation than the Butcher Cumberland, was riding over the stricken field, he came across a wounded Highlander. This was the lieutenant-colonel of the Frasers of Lovat, Charles Fraser, Younger of Inverallochy, whom the brutal Hawley at once ordered the officer who was his ADC to kill as he lay there. The ADC, a young man named Wolfe, indignantly replied that his commission was at Hawley's disposal but he would not do murder. So another redcoat finished off Young Inverallochy.

This honourable refusal to obey a shameful order does not seem to have damaged the officer's military career, however, because years later, as General Wolfe, he led his troops to victory on the Plains of Abraham, breaking the French dominion in North America at the cost of his own life. But legend has it that the Scots soldier who cradled the dying general's head in his last moments was a Fraser of Lovat, kinsman of Young Inverallochy whom Wolfe had refused to kill at Culloden. Is this uplifting legend true? We shall never know.

What we do know is that the history and destinies of Canada and Scotland are inextricably linked—a connection symbolised by this tale which forges a bond between the day when the old Scotland died and the day when the new Canada was born. A lot of Scotland went into the birthing of this nation.

Let us review briefly some aspects of that joint heritage. I know that much of it will be familiar to many of you, but there is no harm in dwelling upon things that unite us, in the midst of a world that is often bitterly divided. There is a saying which sums up the historical bonds between our nations: "America may have New England, but Canada has New Scotland—Nova Scotia—and Canada benefits by the comparison!"

One of the earliest attempts to colonise Canada was in 1621 when Sir William Alexander was granted a charter for Nova Scotia by King James VI. Two of the original promotional books for this new colony are preserved today in the rare book collection of Edinburgh University. Thereafter followed more sporadic efforts. About 1720 the Hudson's Bay Company recruited men from Orkney to work in the Canadian West, since they would have the endurance to meet hardship. More significantly, in 1773, a ship called the "Hector" landed 200 Highlanders at Pictou in Nova Scotia. This vessel may be regarded as the "Mayflower" of Scots Canadians. Then, of course, the American Revolution brought the United Empire Loyalists north. It is worth noting that Flora Macdonald, the rescuer of Bonnie Prince Charlie, and her husband were Empire Loyalists, although they chose to return to Scotland rather than migrating north to Canada.

There were also proprietary settlements, when some important individual acquired a large tract of land and settled immigrants upon it. Most famous was the Red River settlement established by Thomas Douglas, Earl of Selkirk. Lord Selkirk was a man of strong conscience who set himself the task of resettling families from Stornoway and Kildonan, already threatened by clearance of the Highlands. He was also, coincidentally, a kinsman of one of my four Ministerial colleagues in Scotland today: Lord James Douglas-Hamilton, Minister of State at the Scottish Office. Since Lord James is also married to the granddaughter of John Buchan, 1st Lord Tweedsmuir, famous author and Governor General of Canada, his Canadian connections are impressive. Not to be outdone by Lord James, I too can claim a remote historical link with Canada and some not-so-remote family connections. Canada's famous Black Watch regiment derives from the Scottish Black Watch, commanded by the fourth Earl of Lindsay when it was first embodied as a regiment in 1740, known as "Lord Crawford-Lindsay's Highlanders."

I think, therefore, it is fair to say that the present Scottish administration has good credentials to cultivate friendship with Canada.

More than five per cent of all Canadians look to Scotland as their ancestral home. There are now more Gaelic speakers in Nova Scotia than in Scotland. In the early years of the last century, Gaelic was the third most common European language spoken in Canada. Between 1815 (the end of the Napoleonic Wars which left many Scots soldiers unemployed) and 1870, some 14 per cent of the total British migration to Canada was Scottish.

Against this demographic background, it is unsurprising that your first two prime ministers, John A. Macdonald and Alexander Mackenzie, were both born in Scotland. The list of famous Canadians of Scottish descent is endless, but includes Sir A. J. Galt; Lord Elgin; Donald Smith, 1st Lord Strathcona; Maxwell Aitken, 1st Lord Beaverbrook; Norman Bethune; and many others.

Our links are far from being dead history, as the support and sacrifice of Canada in two World Wars testifies. Today, our relations remain close. At the University of Edinburgh, for example, over the last 20 years more than 2,000 young Scots have benefited from a Canadian studies programme. About 60 per cent of them have used it as springboard to enter business and industry. That is appropriate. Trade between our countries amounts to hundreds of millions of dollars, generating jobs on both sides of the Atlantic. Inward investment into Scotland is also very important. For example, a large number of

Canadian pension funds have chosen to entrust part of their international portfolio to Scottish fund managers. And quite right too: What safer pair of hands could they find than those of a canny Scot?

Whenever I am in Canada people always ask me: “How are things in Scotland?” The answer is: things are very good indeed in Scotland. Unemployment continues to fall and is now below that of England for the first time since the 1920s. The rate of unemployment in Scotland is at its lowest since September 1980. GDP per capita increased by 26 per cent in the decade 1983 to 1993. Scottish industrial capacity rose by 14 per cent between 1989 and last year. The number of companies registered at Companies House in Edinburgh increased by 26,000—that is to say, 72 per cent—between January 1980, at the start of the period of Conservative government, and January 1993. And so on. I shall not bore you with an interminable recital of statistics. What probably presents as good a “snapshot” as any of the Scottish success story is the fact that today we are exporting more per head than Japan.

So much for the good news. Yet there is a serpent in this Eden. All that has been achieved by carefully honed government policies, by native talent, enterprise, imagination and sheer hard work is endangered by irresponsible, even ludicrous, proposals for a Scottish parliament. I know that this topic is very much a domestic issue, of interest almost exclusively to Scots. Here, however, I believe I am among people who are very much friends of Scotland; and anybody who is a friend of Scotland should be made aware of the grave threat to Scottish interests and prosperity posed by the tax-raising parliament which Opposition politicians have made their flagship policy.

On the face of it, Scottish devolution might appear superficially attractive. After all, Scotland is an ancient nation, a senior European parliamentary democracy; surely it is appropriate that this talented country should have its own parliament? We in the Scottish Conservative

Party were not unheeding of this argument. We were completely open-minded about the devolution issue, so much so that it was a Conservative leader who first raised the project in 1968. By the mid-1970s, responsive to the administrative realities which the devolution debate highlighted, we had rejected the idea. Finally, in 1979, the Scottish electorate rejected the scheme in a referendum when two-thirds of the voters, either actively or passively, refused to support a Scottish parliament.

Since then, the pressure for a Scottish parliament has come exclusively from a clique of opposition politicians and sympathisers in the media. Six and a half years ago the Scottish Constitutional Convention—a self-appointed body, despite its imposing name, with less legitimate authority than a golf club committee—was set up to plan a Scottish parliament. That scheme is now supported by the Labour and Liberal Democrat parties and Labour is pledged, if elected to government, to legislate for a Scottish parliament within a year of taking office.

This is all madness. Of all possible constitutional schemes, the one proposed by Labour is the worst. It proposes a parliament of 129 members, 56 of whom would be appointed by political party leaders rather than being directly elected. There would also be 50-50 quotas on gender balance, to ensure an equal number of men and women, regardless of the fact that Labour is to abandon female-only shortlists for the Westminster parliament after the general election.

But the worst feature of all is the Tartan Tax, as it has become colloquially known. The proposed parliament would have the power to raise or lower income tax by three p in the pound. Deeply embarrassed by attacks on the Tartan Tax, the Labour Party recently has been insinuating that this power would only be used to lower tax. To those Scottish commentators who affect to believe that a brand new parliament, full of ambitious politicians, would resist the temptation to use tax-raising powers I ask the complementary question: “Where do you stand on the existence of Santa Claus?”

If this parliament ever comes about, it will impose an extra £6 a week on everybody who works in Scotland; no such tax will be paid by anybody working in the rest of the United Kingdom—and that includes Scottish Labour MPs who work in London and are therefore exempt from the Tartan Tax they will impose on their fellow citizens north of the border. It is an outrage.

The economic consequences for Scots would be catastrophic. What would happen to inward investment? Since 1981, inward investment into Scotland has totalled more than £5 billion and has created more than 96,000 jobs. What firm is going to choose to invest in Scotland, where the work force will be paying £6 a week more income tax than the rest of the United Kingdom, with this Tartan Tax inevitably fuelling wage demands? It simply would not happen. England, Wales and Northern Ireland would be the beneficiaries; Scotland would become a no-go area for inward investment. Worse still, those already there might well pull out, as would United Kingdom firms headquartered in Scotland.

So, you see, the superficially attractive notion of a Scottish parliament would be an economic disaster for Scotland. The powerful office of Secretary of State for Scotland—Scotland’s voice in the cabinet—would be sidelined or abolished, enormously weakening Scottish influence within government. At the same time, to compensate for the existence of a Scottish parliament, the number of Scots MPs at Westminster would be significantly reduced. The Liberal Democrats—who belong to the Constitutional Convention—have already accepted that a reduction from 72 to 54 would be likely.

And yet—here is the vital point—the Tartan Tax, despite the damage it would inflict on Scotland, would come nowhere near to funding a Scottish parliament. As much as 97 per cent of its funding would come from a block grant voted by the Westminster parliament. With no Secretary of State and few Scottish MPs, Scotland would have very little influence in preventing a progressive reduction of the block grant. If the unimaginable happened and the Scottish parliament reduced tax, English MPs would immediately say: "Why should our constituents pay to subsidise tax cuts in Scotland?" And the block grant would be reduced.

However you look at it, the bottom line is: it is a recipe for the impoverishment of Scotland. It would produce endless conflict between Scotland and Westminster. As disillusionment grew and the Scottish parliament constantly blamed Westminster for everything that went wrong, separatist pressure would grow. That is why Alex Salmond, the Scottish Nationalist leader, wears a smile. He knows that devolution feeds separatism. Quite simply, if this proposed parliament comes into being it will provoke the break-up of the United Kingdom.

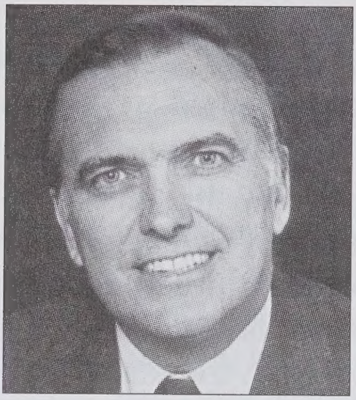
I am sorry to have spoken at some relative length about a domestic situation. But I believe our friends in Canada should understand that the problem runs much deeper than kneejerk reaction and saloon bar patriotism. This measure will sink Scotland, therefore it cannot be patriotic to support it.

Finally, let me say a few words about the solemn anniversary we are commemorating: Remembrance Day. When the notes of the Last Post have died away and the wreaths on the cenotaphs flutter bleakly in the winter winds; when those who have observed the rituals return home; we must all take certain thoughts with us. We must recognise that remembrance is not vendetta; we must strive to live in harmony, even friendship, with yesterday's enemy. We should remind ourselves that there are widows and other bereaved ones who cannot blithely turn their thoughts to other matters when the ceremony is over; we must support them, materially and morally.

Most importantly, at a gathering such as this, we must grasp the consolation that, out of the vileness of war comes moving testimony to friendship between nations and loyalties bonded in blood, such as the unbreakable ties that unite Scotland and Canada. By kinship and sacrifice we have repeatedly renewed the covenant between our two peoples. Let us make it a solemn duty to pass on that enduring bond to the next generation: Scotland and Canada, two great nations indissoluble in friendship and united in the future as in the past.

The appreciation of the meeting was expressed by Ronald Goodall, Partner Goodall and Peacock, President the Royal Commonwealth Society and Past President, the Empire Club of Canada.

The Earl of Lindsay with head table guests Camilla Dagliesh and British Consul General, Peter Davies.



November 16, 1995

John Graham

Chairman, Fleishman, Hillard Inc.

TECHNOLOGY: CHANGING THE WAY WE COMMUNICATE

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Carlyle Dunbar, Financial Journalist and Honorary Director, The Empire Club of Canada; Allegra MacDonald, senior student, Subway Alternative School; The Very Rev. Douglas Stoute, Dean, St. James Cathedral; Linda Smith, Senior Vice-President and General Manager, Fleishman Hillard Inc.; Dennis Pfeiffer, Business Director, BASF Canada; Gerry McDole, President, Astra Pharma Inc.; Mary Lou Benotto, Partner, Chappell, Bushell, Stewart and 3rd Vice-President, The Empire Club of Canada; Larry Barrett, President, Emerson Electric Canada Ltd.; Butch Freedhoff, General Manager, Sony Computer Entertainment; John Wright, Senior Vice-President, Angus Reid; and Scott O'Hare, President, Dell Computers.

Introduction by David Edmison

Matthew wrote: "By thy words thou shalt be justified, and by thy words thy shall be condemned." Indeed, how we communicate is important in our daily life but can be vital in our business lives. In some cases it can make or break many corporations.

The high stakes world of corporate public relations is among the toughest and most competitive industries in business today. Most of the bigger agencies offer PR support in the important sectors of health care, technology, industrial relations, packaged goods, crisis management and media relations. Broadly speaking, the role of most public relations activities is to present a situation, product, individual, company or event in the best possible light, as perceived by clearly defined target groups. It's big business where only the strong survive.

For years, PR professionals were dogged by the suspicious views of jaded cynics who claimed the industry existed to twist facts, bend the truth and alter reality to the benefit of the client. Slowly, the "spin doctor" image has given way to a more informed perspective that public relations plays a key strategic role in the overall success of a business, event, programme or individual. It's a fascinating industry filled with fascinating people—one of whom kindly joins us today.

John D. Graham is the dynamic Chairman and Chief Executive Officer of Fleishman-Hillard, Inc., a U.S.-based PR agency that last year earned the honour "Agency of the Decade" from "Inside PR Magazine," the leading industry publication. "Inside PR" rated Fleishman-Hillard and dozens of other top agencies in such areas as growth, management, work, environment, talent, breadth of service, reach and consistency, strategic thinking and creativity. They were assessed in a report card format with Mr. Graham's agency scoring "A" or "A+" in virtually every category. The supporting article said: "Its competitors rate it number one, and most of its clients do too." It's the only agency to be ranked first or second worldwide in six consecutive surveys. (I must confess, I never got a straight "A" report card, let alone six in a row.) Ladies and gentlemen, this is definitely one PR agency that doesn't need a PR agency—their success is well earned and well known!

Many prestigious Fortune 500 companies seek the expert service of Fleishman-Hillard with over 40 on the current list including: Anhueser-Bush, Dell Computer, Kimberly-Clark, McDonalds, 3M, Motorola, Proctor & Gamble and Texaco.

Our guest's background is impressive. He attended the University of Missouri on both an athletic and curator's scholarship, graduating from the School of Journalism. Joining Fleishman-Hillard in 1966, his talents were soon recognised, as he was elected Vice-President, Director and Senior Partner just four years later. By 1974, he had been elected President and Chief Executive Officer and was named Chairman in 1988. He's a dynamic man with the experience and reputation that is unprecedented in his industry. He is widely regarded as an expert in all aspects of the business. Although he's responsible for the overall company operations, he remains active in programme development and execution for a number of the agency's largest clients.

Mr. Graham is a member of various public relations associations including the Public Relations Seminar, Arthur W. Page Society and Wisemen. He's a member of the Public Relations Society of America and the International Public Relations Association. He has been elected to the College of Fellows of the Public Relations Society of America and in 1990, was named a Public Relations All-Star by "Inside PR Magazine." In 1994, he was elected as PR Professional of the Year by PR News.

Mr. Graham is a celebrated leader in his industry and it is my pleasure to welcome him as our special guest. Ladies and gentlemen, I ask you to welcome Mr. John Graham.

John Graham

Good afternoon, ladies and gentlemen.

It is a distinct pleasure for me to have the opportunity to address this distinguished group, and I thank you for inviting me. I am going to talk today about effective communications with particular emphasis on how technology has impacted the way we communicate.

When beginning any discussion on communications, one must take into account the atmosphere in which we are operating today and what is happening among hundreds of corporations and organisations around the globe. The world in which we live is changing very rapidly, and coping with change has become a way of life for people and corporations alike.

No doubt most of you have experienced the phenomenon of change in your own life or workplace. I think Fred Wiersema of the CSC Index summed it up very well when he said: "Management today has to think like a fighter pilot. When things move so fast, you can't always make the right decision—you have to learn to adjust, to correct more quickly."

Change can result from shifts in leadership style or corporate strategy. It can result from downsizing the work force or changing its composition. It can also involve shifts in corporate vision, values and culture. At our own organisation, for example, we are working with numerous corporations, helping them define or better develop their corporate values and their culture or, in some instances, helping change those values and cultures.

We also are witnessing changes that involve shifts in the decision-making process and changes that result from the increased use of information technology. We have watched corporations rediscover their customers, which may involve a major change in terms of behaviour and the way they conduct their business on a daily basis. And, of course, change can also be triggered by human resources policies and practices.

So how do we successfully deal with all of this change? Effective communications are the key. How do we go about developing an effective communications programme? Based on my 30 years of experience in this business, effective communications programmes are based on accomplishing three things:

- First, management must take maximum advantage of emerging technologies.
- Second, companies must better define their target audiences and the messages they want to get across.
- And third, managers must better develop their personal communications capabilities.

I will spend most of my time today on the first of these three subjects, but will briefly touch on the other two.

When a company or organisation is able to take full advantage of emerging technologies to help it effectively communicate, it obtains a distinct "technological advantage." There are some basic truths involved in this "technological advantage."

The first is that emerging technologies enable us to overcome the traditional limits of geography and time. In the past, geography and time have been massive barriers to the ability of corporations and organisations to effectively communicate. Technology is enabling us to bypass those barriers. Today, using the proper technology, we can instantaneously communicate with employees, customers, suppliers, the financial community and the news media around the world. We can communicate anytime, anywhere, to broad audiences or selected audiences.

Many companies are already doing a good job of using technology to aid their communications process through e-mail, voice mail, teleconferencing and satellite technology. At Fleishman-Hillard, for example, we have video-conferencing capabilities in all of our major offices, including locations in Europe and Asia, which enable us to effectively communicate with our clients and staff although we may be many miles and time zones apart. Another example: I flew to Toronto with a colleague yesterday, and we were fortunate enough to be on an Air Canada flight with a telephone. That telephone enabled us to plug in a lap-top computer and pick up our e-mail messages on a timely basis from our office in St. Louis. Clearly, technology affects us all in one way or another and harnessing it is what gives us a technological advantage.

It would be impossible to have any discussion on this subject without talking about the Internet. The full potential of the Internet as a communications vehicle is being tested each day, in fact, each hour. The possibilities seem to be endless. Let me give you a hypothetical example to help illustrate this point. The names of the companies in this example are purely fictional.

Assume you are CEO of Richmond Enterprises facing your worst nightmare—a hostile takeover of your company. You understand the importance of communications in this type of situation, so you send an e-mail message to all of your employees that says something like this:

"To all employees,

You may read in the newspaper or hear rumors over the next few days of an attempt to buy Richmond Enterprises by MEGA International, Inc. [MEGA is the enemy, here.] We consider this unsolicited, hostile offer against our best interests and intend to reject it. Please refrain from talking to any members of the press or anyone at MEGA. Refer any calls to the office of Allen Nixon, VP and General Counsel, at extension 387. Thank you for your co-operation.

Chief Executive Officer"

You may think that you have communicated successfully and effectively controlled the situation. But what if your employees also get a message from the bad guy—the chairman of MEGA International? Even worse, what if the MEGA message is personalised and interactive, something like:

"Dear Carol,

I want to take this opportunity to inform you that we have made a generous offer to buy Richmond Enterprises. We feel there is a natural synergy between our two businesses, and as an employee stockholder this union is in your best interests. Our management team looks forward to working with you. [It sounds very friendly, doesn't it?] To learn more about our company and the details of our offer, please click on the icon to the right and visit our Web site."

If Carol clicks the icon, she is instantly provided with attractive information about MEGA International. Another click and she hears a voice message from the bad guy explaining why she and all your other employees should welcome a takeover. Who do you think wins the employee communications battle?

The second basic truth about technological advantage is that the convergence of computing and communications has accelerated the development of what Peter Drucker calls the "knowledge society." A knowledge society is one in which knowledge and information are freely exchanged with no geographical or time limitations. Today, as you all know, corporations and organisations with operations all over the world are able to exchange information and experiences like never before. At Fleishman-Hillard we have our own internal network, which allows our staff regardless of where they are based to instantaneously exchange knowledge. That means a client of our Mexico City office can, on a timely basis, draw upon the experience and capabilities of staff in our Toronto office or any of our other offices. It is this capability to share the knowledge base that gives us technological advantage.

Recently, while reading "Fortune" magazine, I picked up a quote by Tom Malone of the Sloan School of Business at MIT: "In the old world, information was very expensive, so we managed with relatively small amounts of it. We developed organisations that could work in an information desert. Storing, moving, and finding information is so much cheaper and easier that we're in something more like an information jungle. Those who learn to take advantage of this increasing amount of information economically will be much more successful."

This brings us to the third basic truth about technological advantage, which is that you should never underestimate the power of the Internet and on-line communications.

The most recent issue of "US News" has a headline that reads "Gold Rush in Cyberspace." Another "US News" story talks about how the best jobs in the future will be cyber jobs. And "Communications World," another publication, has headlines that read "From Worldwide Web to Selling Burgers" and "Tomorrow's Markets are in the Sky."

It is almost impossible to pick up any publication in this day and age without hearing something about the Internet and the power of on-line communications. That is because the Internet is the world's largest computer network and billboard, comprised of more than 20,000 networks on every continent. The wondrous Internet can serve as a child's plaything and a physician's tool. It is both an information repository and gateway.

This quote from "Business Week" really puts the importance of the Internet in perspective:

"As the Internet evolves, it is likely to take over your telephone, your fax machine, and maybe even your TV and stereo too. Sure, the information superhighway is supposed to meld all these technologies into a torrential digital stream. But while the information highway remains a work in progress, the Internet offers a solid test-bed for advanced communication."

Another way to think about the Internet is in terms of the people who use it. In the process of putting together this speech, I found some rather interesting Internet statistics. For instance, approximately 40 per cent of all the companies in the United States now have Internet sites, and 70 per cent of all major corporations are expected to be wired by the end of 1997. About 37 million people in the United States and Canada have access to the Internet, and according to a Nielsen media research poll, 24 million of them have "signed on" in the last 90 days. In Canada, according to a recent poll conducted by the Angus Reid Group, 50 per cent of all Internet users have university degrees and 25 per cent earn more than $80,000 a year.

Stop and think about it: these are incredible statistics. We are talking about a very educated and affluent group. Clearly, the Internet is a growing force in our society.

What are all these Internet users doing? Some browse, some seek entertainment, and others surf the Net for academic reasons. Just last night, in fact, I read a "Wired" magazine article that explains how you can get an MBA on the Internet.

But the Internet is also a business tool. A recent World Wide Web user survey indicated that half the people who use it do so for business purposes, which is reason enough to take the Internet seriously. The following is a quote from William Burks, Manager of Corporate Communications for the Chicago Mercantile Exchange: “We see the Internet as one of the most important tools for finding new customers. There is great potential to attract retail customers. The interactivity of the Web site is a good way to reach a new generation of people who may eventually use the markets.”

The Internet has already become a significant marketing tool. And, I suspect, over the next few years you will see public companies using the Internet more and more as a shareholder interface. The possibilities are limited only by your imagination. Do not underestimate it.

The fourth basic truth about technological advantage is that the potential for immediate interactive capabilities has not yet been fully realised. If we could look into the future, I think we would all be shocked by the interactive capabilities our children will take for granted.

I cannot tell you exactly what is going to happen, but my general sense is that interactive technology will have an absolutely incredible effect on us all. It will play a significant role in communications, especially training and planning. Indeed, when development costs fall and technology improves, training will gravitate from video to virtual reality role-playing, and the scope of scenario planning will widen dramatically as modelling becomes more flexible and realistic.

Fleishman-Hillard does a lot of crisis-scenario planning with managers in various organisations. Sometime soon, we will be able to present them with an interactive crisis on their computers—interactive training in “real time” situations. With virtual reality technology and scenario modelling, management skills can be honed, and the effectiveness of new and existing employees can be tested.

The second point I will touch on briefly, which must be accomplished if you are to effectively communicate, is to clearly define your audiences and messages, or, as I call it, the "message advantage." Getting the right message to the right audience is key. After all, you can have the best technology in the world, but if you do not have the right message for the right audience, you will not be able to communicate effectively.

Content is also crucial. The medium is not the message; content is the message. A recent research study conducted by the Conference Board, involving approximately 120 corporations worldwide, found that 97 per cent of all responding companies agree that message content is the most important factor influencing the success or failure of any communications campaign.

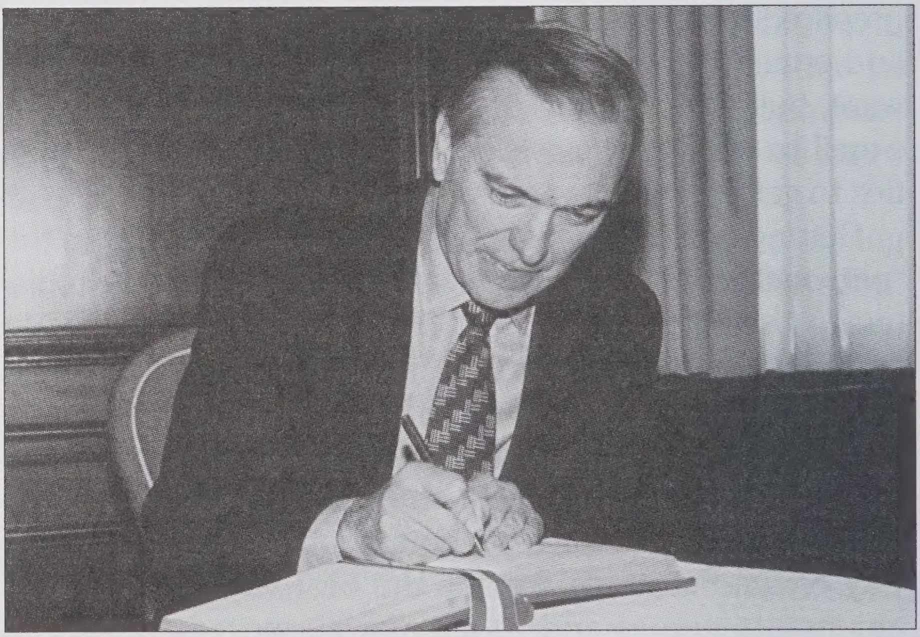
The third and final point which must be part of any effective communications programme is developing the personal communications capabilities of managers, or what I call obtaining the "personal advantage." I cannot stress how important it is that during times of change, senior management must personally get deeply involved in communications programmes. In fact, during these times, the CEO should be the chief communications officer. He or she must make the time and should be prepared to communicate the major messages to the key audiences in person. You can use technology all you want, but if you simply sit behind your desk sending out e-mail to your audiences, you will miss major opportunities to get your points across.

Getting senior management involved in obtaining the "personal advantage" also means they must be able to listen to their key audiences. This is particularly true in employee communications. Two-way communications must be part of any effective internal communications programme, because employees want to be heard. Listen to them, because while technology has certainly provided additional avenues for us to communicate, personal, two-way communications are still the best way for us to get our points across and to alter or support behavioural change.

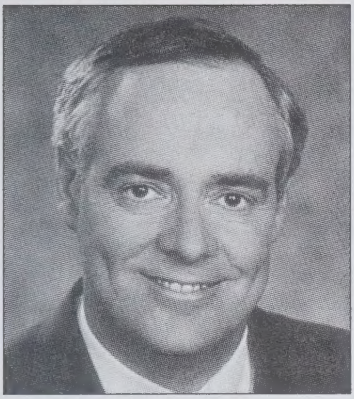
Let me summarise by saying that change has become part of our lives. As we all know, most corporations and organisations are changing and will continue to change. Those who understand how to use "technological advantage," "message advantage" and "personal advantage" in developing effective communications programmes are in the best position to benefit from this change.

Again, thank you for the opportunity to talk to you today.

The appreciation of the meeting was expressed by Mary Lou Benotto, Partner, Chappell, Bushell, Stewart and 3rd Vice-President, The Empire Club of Canada.



Guest speaker John Graham signs historic Empire Club book.



November 23, 1995

The Hon. Perrin Beatty

President and CEO, The Canadian Broadcasting Corporation

THE FUTURE OF THE CBC

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Monty Larkin, C.A., Honorary Director, The Empire Club of Canada; James Evans, grade 13 student, Danforth Collegiate and Technical Institute; The Rev. Tim Foley, Rector, All Saints, Kingsway; MGen. Bruce Legge, Q.C., Partner, Legge & Legge, and a distinguished Past President, The Empire Club of Canada; Duff Roman, Vice-President, Industries Affairs, CHUM Radio; Michael Coates, President, Hill & Knowlton; Philip Lind, Vice-Chairman, Rogers Communications Inc.; Bill Laidlaw, Director, Government Relations, Glaxo Wellcome and a Director, The Empire Club of Canada; Elaine Legault, Director, Corporate Affairs, TV Ontario; Jonathan Welsh, artist and award-winning Canadian performer; Bruce MacLellan, President, Environics Communications; and Paul Lucas, President and CEO, Glaxo Wellcome.

Introduction by David Edmison

As a youngster I would often do my homework while watching television. I developed this habit during hockey playoff season and, while it drove my parents crazy, I managed to convince them it was a very Canadian thing to do and it wouldn't affect my school marks.

So, a week ago last Monday night I sat down to write my introduction for today's distinguished speaker, Mr. Perrin Beatty, President and CEO of the Canadian Broadcasting Corporation, while at the same time tuning in to "The National," ultimately, one of his key responsibilities. And I'm glad I did.

In the third or fourth news clip, Peter Mansbridge reported that Prime Minister Chrétien had expressed concern that the CBC-French network was less than impartial when covering the referendum debate. As I looked up from my notes there was the subject of my introduction being interviewed and fielding some difficult questions from reporters. I might add, just like playoff hockey, he was doing a good job of stickhandling. I was particularly struck by his honesty and pragmatic approach to their questions. There was no political rhetoric, no defensive skirting of the problem, no hiding behind the "no comment" line, but a clear commitment to the truth and a carefully crafted plan of action to find it.

Last month The Empire Club had Jean Charest, a former political colleague of our guest, as a speaker. I mentioned in my introduction that among other things, Mr. Charest was the youngest cabinet minister in Canadian history. It seems relevant now to mention that this distinction, to that point, belonged to Perrin Beatty, who in 1979 was appointed Minister of State, in the government of Joe Clark. But by then he was a political veteran having won his first federal seat in 1972 at age 22. He went on to serve in six major cabinet posts in the Mulroney government.

Mr. Beatty was born in Toronto and spent his early days in Fergus, Ontario where his father was President of Beatty Brothers Ltd., a well known Canadian manufacturer of household appliances and farm implements. Educated at Fergus Public School and Upper Canada College, he then went on to earn a degree from the University of Western Ontario.

In 1993, after a distinguished political career, he began working as a consultant, concentrating mainly in the field of communications and joined a number of private sector boards. He is Honorary Visiting Professor with the Department of Political Science at the University of Western Ontario where he taught a course on Communications Technologies and Public Policy. He also wrote a weekly column on government and politics for The Toronto Sun.

His abiding interest in journalism and broadcasting dates back many years. In university, he worked as a reporter and produced a weekly programme for a commercial radio station in London. While in Ottawa, Mr. Beatty became an active member of the parliamentary committee overseeing the CBC and also served as caucus spokesman on the Department of Communications following the 1980 election.

On April 1, 1995, the Liberal government appointed our guest President and CEO of the Canadian Broadcasting Corporation. In a business where party patronage is commonplace, the appointment was testimony to Mr. Chrétien's commitment to getting the right person for the job regardless of political colour. But more than that, it was a clear tribute to Mr. Beatty, whose experience, vision and leadership is taking the corporation in a new direction, better able to meet the new realities and government cutbacks. It's a difficult and controversial job, demanding insight into issues ranging from children's programming and ethics in journalism to Canadian content legislation and advertising. But there is strong consensus from many quarters that, for the CBC, Perrin Beatty is the man of the moment and the man for the job.

Ladies and gentlemen, please join me in welcoming our special guest, Mr. Perrin Beatty.

Perrin Beatty

As you may have noticed, speculation about the CBC's future has featured prominently in the press lately. Indeed, in a climate of economic restraint, public spending on any aspect of culture is very much under the microscope.

At CBC, we welcome that scrutiny. I believe it's critical for our society to constantly re-examine its priorities. It will not surprise you to learn, however, that I also believe it's profoundly important for a society to know something of its deeper self, to share both its triumphs and defeats, to laugh together one minute and engage in heated debate the next.

We do that in a host of ways, from a chance conversation on a streetcar to sharing a night of musical theatre with 2,000 of our closest friends; and from disagreeing with a letter to the editor to admiring a piece of sculpture in a gallery window.

All of these acts, large and small, together help us understand whom we are, what matters to us and where we think we should be going. In this society, our communications media provide a key link in the process: the transmission of our culture.

That's the role we have played since the CBC was created in 1936. For most of us, CBC's broadcasting services have always been there, carrying the Canadian flag on the airwaves of North America and the world. Domestically, we've been the electronic thread that has stitched the most disparate parts of our country together, from Point Pelee to the high Arctic, from Long Beach to Cape Spear.

Throughout, we've been a mirror of Canadian society, in all its aspects, responding to the times just as the country has. We've prospered when the nation did, and we've tightened our belts when that became necessary.

Clearly, we're now in one of the latter periods and, like everyone else, we have to deal with the realities around us. Whether we like it or not, we must recognise that governments have to struggle with a wide range of competing priorities—priorities that include national public broadcasting but, unfortunately, can't make it number one on the list.

When I accepted the presidency of CBC last spring, I did so with my eyes open. I knew that our very existence could not be taken for granted. We would have to prove our worth to Canadians again with each new day. Since April, when I came to the Corporation, we have been working to determine how best to accommodate the CBC to the new realities while continuing to provide Canadians with first-rank public broadcasting.

In the past few days, I have announced the results of those efforts to our staff. Let me briefly outline them for you. First, it was apparent that the Corporation's existing structure could not give us the kind of flexibility and responsiveness we needed for the future. Restructuring would have to start at the top.

Our goal was to create a smaller, more effective senior management team that would provide clear, strong leadership to fulfil our mandate despite the substantial reduction in our funding.

At the end of the process, we will have eliminated six of 14 vice-presidential positions, and we will have given the operating components more direct control and responsibility for the services that directly support their businesses. I announced the next step in the process to our staff only yesterday; namely, the cost-saving measures we will take to bring our expenses within our means. The reductions prescribed by last February's federal budget, together with cuts announced earlier and other cost increases beyond our control, mean we need to make savings in excess of $200 million before the end of the 1996/97 fiscal year. We also know our budget might be reduced by as much as $350 million by the end of 1997/98. These reductions are in comparison with our 1994/95 operating budget, which was $1.3 billion, including both our parliamentary appropriation and the revenues we generate ourselves.

As I'm sure you know, the federal government set up a committee under Pierre Juneau, a former president of the CBC, to examine the mandates of the CBC, the National Film Board and Telefilm Canada. Mr. Juneau's committee is to submit its report at the end of November. We expect the federal cabinet will make its funding decisions for at least the next two years once it receives the recommendations of that task force. We hope the mandate review committee will add its support for a strong and healthy public broadcaster, but it would be irresponsible to simply assume that favourable recommendations from the committee will automatically secure our future. We need to put our finances in order now, but we must also respect the government's right to revise its broadcasting policies or the Broadcasting Act itself once it receives the committee's report. For that reason, we have announced a plan to make the major savings within our present mandate and structure.

We have one goal above all: to save as much money as possible by eliminating non-programming activities and becoming more efficient in everything we do. The $227-million target is the maximum we feel we can make without major service reductions. I will not pretend that our programming won't be affected. With a cut of this magnitude, that would have been impossible, but I am satisfied that we've kept the impact to a minimum. While it won't be easy, I believe we will still have the resources necessary to achieve our mandate.

Some $39 million of the $227-million reduction will come directly from support services and other non-programming expenses. As I mentioned, we've greatly streamlined our senior management structure. We will also radically reduce our head office by a minimum of 50 per cent, concentrating in Ottawa only those things that are most effectively carried out there: such functions as strategic planning, regulatory affairs, and government relations. We will continue to provide common services when that makes sense, but not necessarily from Ottawa. The rest will be decentralised, placed in the hand of the broadcasting networks they exist to serve. As our need for space declines, we will move out of our headquarters in Ottawa and sell the building.

We will find the savings by completely reorganising and downsizing our engineering department, concentrating our effort on our core business and relying more heavily on outside contractors.

We will institute a new "internal market" system to supply production services to the broadcast media. We've examined similar systems employed by other broadcasters like the BBC and the Australian Broadcasting Corporation. We're confident this "user pay" approach will yield significant savings. We are also determined to reach new collective agreements with our unions. We're looking for a much more flexible approach to assigning people to tasks, an approach that will yield significant operating economies for the CBC while creating a more challenging and rewarding atmosphere for our employees.

We expect that this new approach can deliver $35 million in annual savings. Making these changes won't be easy or painless. It will cost close to 2,000 jobs, including the reductions already made this year.

At times like these, it's tempting to descend into nostalgia for the past or simply hunker down and hope for the best. But that would be exactly the wrong approach. It is when times are most difficult that boldness and imagination are needed most. We will not shrink from these challenges. Instead, we will recommit ourselves to meeting the need of our audiences in every part of the country and we will carve out our distinct space on the spectrum.

Here is our manifesto:

- We will be resolutely Canadian. We will tell Canadian stories and give the Canadian perspective on Canada and the world not grudgingly, or as an afterthought, but enthusiastically and as our very reason for existing.
- We will celebrate Canada's diversity, reflecting our regional and cultural richness both within the regions and to Canada as a whole, but we will also allow Canadians to talk to one another and understand one another across the barriers of geography and language.
- What we broadcast will be based upon the fact that we belong to every Canadian and that all Canadians have a right to programmes of interest to them on our schedules. We will not simply become the preserve of the wealthy or well-educated or serve as a programmer of last resort, confining ourselves to material of little interest to anyone else.
- We will complement private broadcasters, not copy them. Just as the private sector will broadcast news and current affairs, or drama and sports, so will we,

but we will also serve communities, both geographic and social, for which there is no commercial market.

- We will give special attention to Canada's children, providing at least one spot on the dial where parents can be confident of finding healthy programming that will entertain and teach their families. We need to give as much care to what we put into our children's heads as we do to what we put into their mouths. CBC has long been a leader in children's programming and we intend to build upon that strength.
- We will celebrate the arts in Canada, making a particular effort to identify and support artists from the regions. Since our founding, we have helped promote a vibrant cultural life in all parts of this country and that commitment will remain strong despite the pressures on our budgets.
- We will see our audiences as citizens to be served, not simply as eyes and ears to be delivered to commercial advertisers. This principle means that we exist to help our fellow citizens function in a complex and fast-changing democracy. News and information programming will occupy a place of prominence on our schedules, and we will offer an alternative to commercial broadcasting that challenges and uplifts our audiences.
- We are the public's broadcaster, owned by the Canadian people. In all of our activities, we must set standards of excellence that exceed those demanded of any other broadcaster. And we will conduct our affairs with a degree of transparency and accountability unmatched by any other broadcaster in Canada.
- Finally, we will conduct ourselves with respect for Canada's taxpayers. Being a public broadcaster provides no justification for inefficiency. At a time when the need for economy is greater than ever before, we will treat every tax dollar with care.

These are things Canadians have a right to expect of their public broadcaster, whether we're operating in the best or in the worst of times. We will not back away from that responsibility.

Let me come back for a minute to the CBC's obligation to provide a truly Canadian perspective on our country and the world. I do not believe in trying to build an electronic wall around Canada. Even if it were possible—and I believe that new technologies will leap any wall that can be built—it would be the wrong course to follow. We should invite the best the world has to offer into our homes. But we also have a responsibility to ensure that Canadian voices are heard in Canadian homes.

I'm sure you've heard the statistics before, but they bear repeating. U.S. programming makes up 86 per cent of the drama menu in English-speaking homes and accounts for fully 90 per cent of the drama viewing. While we're still strongly dedicated to our own news and current affairs shows, nearly three-quarters of all the time English-speaking viewers spend in front of their TV sets is spent watching American programmes.

Those are not the kind of realities that bode well for the future of a distinct Canadian culture or an independent Canada.

Fortunately, that problem does not exist in French-speaking regions. There, the challenge is not to counterbalance a foreign presence with a Canadian one, but to provide attractive French-language programming, something we've been able to do with signal success for many years. Certainly, the competitive pressures are growing in this market as well, and we must work to maintain the quality and quantity of our services. But it's hard to argue with the audience appeal of our French programming. It regularly draws as much as two-thirds of the total potential audience for drama and comedy.

In looking at the role of our English television network, one fact stands out above all: Canadians simply don't need CBC television to bring them American programmes. With very few exceptions, there's nothing out there they can't readily find somewhere else.

I won't deny Hollywood's attraction for Canadian broadcasters. Its programmes deliver large audiences and generate about $2.50 for every dollar we spend on them. But the price we pay isn't just monetary. It can also be measured in reduced distinctiveness in what is perhaps the most competitive television environment on earth. Canadians, after all, have easy access to virtually everything available to Americans, in addition to their own domestic programming.

We will make it a priority to attack that problem. I am announcing today that, as of the fall of 1996, all regularly scheduled U.S. programming will be removed from our English television network's 7–11 prime-time schedule. The money we're currently spending on those programmes will be redirected to support Canadian producers, writers and performers. What's more, we want our schedule to reflect the Canadian reality more effectively. Much of this new programming will come from independent producers or from centres outside Toronto. While we cannot afford to replace all the U.S. commercial programming in our daytime schedule, our goal remains the same throughout the broadcast day: to Canadianise our programming as rapidly as our finances permit and to offer a clear alternative to what is available on the rest of the dial.

Among the new Canadian programmes we'll show are "The Dawn of the Eye," a six-part co-production with the BBC that will be the definitive history of television news. We're also working on a major Canadian biography series for broadcast over several seasons beginning next fall. This series will involve outside producers in collaboration with the CBC. We believe we have an obligation to help Canadians learn more about the history of their country and its people. Our Canadian biography series will be a gift to the nation, showcasing the lives of Canadians from every walk of life who have contributed to our country and the world.

Simply put, prime time on CBC English television will be the preserve of Canadian programming—Canadian dramas, Canadian information programming, Canadian entertainment of all types—and of the best, non-U.S. international programming available.

We don't propose such dramatic changes in French television simply because they aren't needed. But that doesn't mean we'll stand still. We will continue to refresh our broadcast schedule and add new programmes.

This winter, we will introduce three new dramatic series—"Urgency," "Omerta" and "Majeurs et vaccinés"—and one new mini-series, "Steinberg." All of these will come from independent producers. And, in the fall, we'll present a new 11-hour series from the producer of the critically acclaimed series "Les filles de Caleb and Blanche," "Marguerite Volant."

We will also produce some new programmes in-house for the fall '96 schedule, including 120 episodes of a daily, half-hour light drama and a new, weekly téléroman by Victor Lévy-Beaulieu called "Bouscotte."

These programming plans reflect our keen awareness of the changing competitive circumstances in French television. Particularly if the proposed deal involving TVA and Quatre Saisons goes through, CBC's role as a provider of popular, alternative programming will become even more critical.

At the same time, we will not neglect public broadcasting that consciously serves our specialised tastes and reflects the cultural life of its communities, both in our regular schedule and through special events like our annual celebration of French language theatre, "La Soirée des Masques," which, incidentally, will be aired this Sunday night.

And we have not ignored the needs of radio audiences or the fact that our "Senior Services" will mark their 60th anniversary in 1996. As I said earlier, we want all our services to reflect the regional life of Canada. Next year, our English and French radio networks will celebrate that commitment and their long service to Canada by co-operating in a year-long series of open houses and other special events, both for public participation and producing programming.

I could go into much greater detail about our programming plans and, if we had all afternoon, I'd be more than pleased to do so. But I've said what I have to underline one critical point: ultimately, the CBC's priority has to be to do the best with what we have; to carve out a special place on the broadcasting spectrum.

We have done that, with distinction, for the past 60 years. This country's need for a vehicle that can truly allow us to appreciate whom we are—to share the ideas that bring us together as well as those that come between us; to engage in an informed and civilised debate about our collective future—has never been greater. At this critical point in our lives as a people, no other institution can replace the CBC's ability to help Canadians understand each others' lives and each others' dreams.

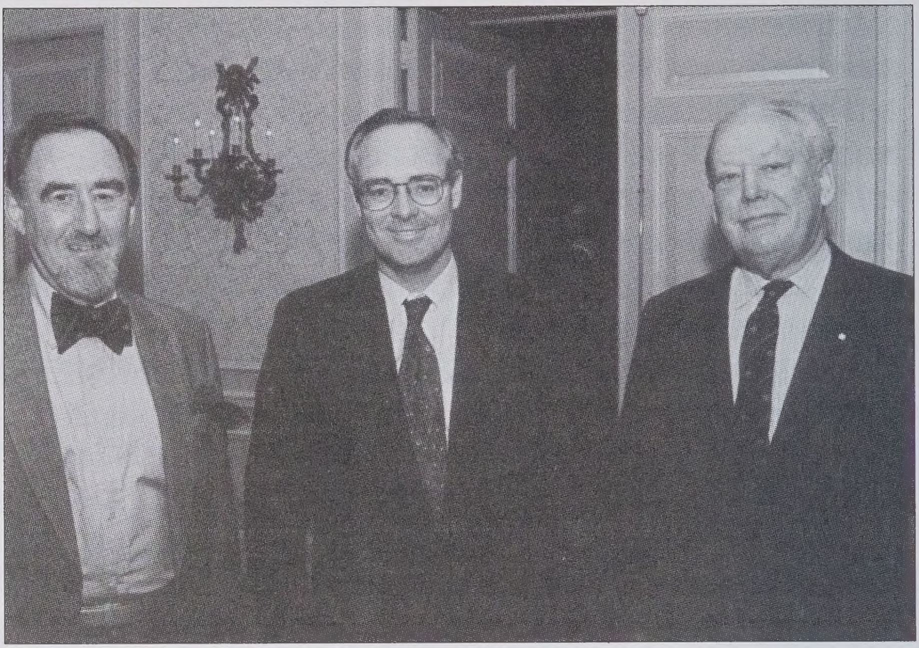
The Broadcasting Act sees us as a means to enhance Canadians' "shared national consciousness and identity." It is clear to me that, had the CBC not been playing that role for the better part of this century, Canada would be a very different country today.

Indeed, if we did not continue to act as the mirror of the nation's soul, the most prominent and accessible expression of its hopes, its fears, its triumphs and its pain, I would be deeply concerned about our future as a nation. Simply put, I believe the Canadian Broadcasting Corporation is the most important instrument we have to assure the vitality and, perhaps, the very survival of a distinct Canadian identity. We believe the vision and the concrete measures I have announced today will help us make an even greater contribution in the future.

The challenges for the CBC are massive. We must confront the same issues in technology and in the marketplace as private broadcasters must face, and we must do so at a time when the Corporation's public funding is being severely reduced. But we will not shrink from the struggle. Despite all the difficulties, we will put our finances in order and we will provide Canadians with a national public broadcaster that enriches and strengthens this country for many years yet to come.

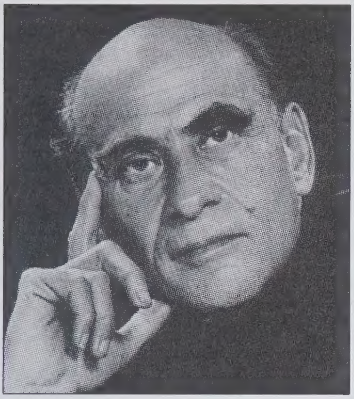
The appreciation of the meeting was expressed by Bill Laidlaw, Director, Government Relations, Glaxo Wellcome and a Director, The Empire Club of Canada.

Empire Club Director Bill Laidlaw with actor Jonathan Welsh, Leslie Milligan and Paul Lucas, President, Glaxo Canada.



Empire Club Director Monty Larkin with guest speaker Perrin Beatty and Maj. General Bruce Legge, a Past President of The Empire Club of Canada.

Perrin Beatty with Empire Club Secretary Willis Blair.



November 30, 1995

Peter C. Newman

Author and Journalist

THE CANADIAN REVOLUTION

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Sheri Pickett, grade 12 student, Central Technical School; Anne Libby, Co-Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada; Larry Stevenson, President and CEO, Chapters; Rabbi Baruch Frydman-Kohl, Beth Tzedec Synagogue; Rona Maynard, Editor, Chatelaine Magazine; Anna Porter, Publisher and CEO, Key Porter Books; Tom Wells, President, T.L.W. Consulting and a Director, The Empire Club of Canada; Sally Barnes, Columnist, The Toronto Sun and President, Enterprise Canada Group of Companies; Cynthia Good, Vice-President, Publisher and Editor-in-Chief, Penguin Books Canada Ltd.; and Robert Lewis, Editor, Maclean's Magazine.

Introduction by David Edmison

On October 26, 1992 nearly eight million Canadians roundly rejected what could have been the most historic constitutional agreement since Confederation. The Charlottetown Accord was unique in that so many constituencies were represented and able to reach a consensus. It was the culmination of much negotiation and media drama.

In his book, "The Canadian Revolution; From Deference to Defiance," our special guest, Peter C. Newman asserts that the rejection of the Charlottetown Accord was not a singular act of indifference, but rather, it represented a revolutionary tide, a tide that was sweeping our country, and would have a major impact on our political and economic power structures. This bloodless revolution was not just an overnight phenomenon. He maintains it was a process which had been put on fast forward in 1985, and by 1995 Canadians had experienced a momentous shift in values. Whether you agree or not, this book serves as a wake-up call to our political elites, in fact all elites, that a sea change has occurred in our country with deference turning to defiance.

Chapter by chapter, Mr. Newman chronicles how and why this revolution took place. With precision and consummate detail he lays the foundation for his premise, describing Canada's new society and its new politics. Mr. Newman is well qualified to present his controversial views. He is one of the deans of the Canadian literary establishment, having risen to the top of his profession, serving as editor-in-chief of both Canada's most influential magazine, "Maclean's," and its largest circulation newspaper, The Toronto Star.

Our guest's rise to the top was not easy and his success is what Canadian legends are all about. Mr. Newman was born in Vienna and raised in Czechoslovakia which he was forced to flee during the Nazi holocaust. Arriving in Canada in 1940 at age 11, he worked on the farm his family purchased near Freeman, Ontario as a condition for entering and staying in Canada. He has worked underground at Bevcourt Gold Mines in Northern Quebec, been a magician at Eaton's Toytown, served as Captain in the Royal Canadian Naval Reserve, and played drums with his own jazz band.

His career in writing took off with his book "Renegade in Power: The Diefenbaker Years," written in 1963. Since then he has published an additional 16 books, including his epic four-volume history of the Canadian establishment and his three-volume history of the Hudson Bay Company, selling over 2 million copies. Our guest continues to chronicle the important events of the day in his influential column, "The Nation's Business" in "Maclean's."

Thoreau wrote: "Books are the treasured wealth of the world and fit inheritance of generations and nations. Their authors are a natural and irresistible aristocracy in every society, and more than kings and explorers exert and influence mankind."

Ladies and gentlemen, I ask you to welcome a man who would never describe himself as an aristocrat, but is most certainly a man of influence, our special guest, Peter C. Newman.

Peter Newman

Thank you David and good afternoon.

Before I start my speech I want to explain why I'm wearing this hat. You probably don't have too many speakers who wear goofy hats. It has nothing to do with being bald, although I am. It has nothing to do with sailing although I do. It has to do with writing and my first job. When I got out of university I didn't know what to do with myself. I sort of vaguely thought I should write but I couldn't get a job. I then read an article about how to get a job and all I remembered out of it was that you should wear a hat. And remember this was back in 1950 when everybody wore fedoras. I think they are called Peter Monk hats now. I couldn't figure this out because I was quite happy to wear a hat but by the time I got to the interview I had to leave my hat outside. How would the person whom I was being interviewed by know that I was responsible? Sure enough I went to all these interviews without the prospective boss seeing my hat and I didn't get a job. Finally I had an interview with the editor of The Financial Post, and I really wanted that job. I was determined to make sure that he knew that I was responsible so I had a wrestling match with the secretary, took my hat with me and put it on the desk right between us during the interview. Well we had the interview and finally he couldn't resist anymore and he said to me, "What the hell is this hat doing on my desk?" I told him the story and he laughed so hard he gave me the job. So it worked. As far as the tie is concerned I got this in Montreal. It was on sale.

Now it is very difficult to prepare for such an august occasion as talking to The Empire Club. The only person I know in the world who prepared herself completely for an occasion was Shelley Winters, the Hollywood actress. When she was young and blythe and beautiful, she had an audition with a very disreputable director, and a friend of hers warned her saying, “Shelley, be careful of this guy. The moment you are through the door he is going to tear off your dress and have you on the casting couch.” Shelley said, “So glad you warned me. I will wear an old dress.”

I know you expect me to say something about the referendum and I was thinking back to the night of the referendum when I was watching the results and I decided at that moment to consult my favourite philosopher who is a rock singer. She once stopped the music in a San Francisco concert and what she said sort of reflected my reaction to the referendum because what she said was: “It’s very difficult to sing and throw up at the same time.”

I’ll get back to Quebec later in my speech.

The Canadian Revolution. It’s sounds like an oxymoron. It sounds like jumbo shrimp or Ottawa night-life, but it’s not. Most of us think of revolutions as something to do with a guillotine or tanks in a city square—some great violent confrontation. These usually are events in a revolution but they are not the revolution itself. What authenticates a revolution is a shift in values of the society that has undergone a revolution. My thesis in this book is that that is what has happened— Canadian values have shifted from deference to defiance, from deference to authority, to defiance of authority. Of course the most obvious manifestation of this has been in our politics.

The years I am writing about are mostly the Mulroney years and there was a great deal of disillusionment—some of it justified and some of it not. I have a quote from Bob Austin in my book who says that it was the first time in history that a government has overthrown a country. Writing about some of the Mulroney ministers I say that even when they admitted they lied nobody believed them. But I think the explanation is much simpler. I think that Brian Mulroney made one fatal mistake. He wanted so badly to be loved. He didn’t want to make enemies. He didn't understand that prime ministers don't need to be loved. They need to be respected. Trudeau, as much as we hated him, was always respected and Mulroney tried so hard to be loved that it didn't work. It reminded me of Voltaire when he was on his deathbed and somebody said to him, "Mr. Voltaire would you like to renounce the devil?" He looked very surprised and he said, "No, no, this is no time to make new enemies."

When you look at the shift in Canada between then and now I think that we are less interested in issues or in policies. We are much more interested in values and values are something that are more difficult to achieve than issues. We are much more interested in character than in personalities. Personalities can be manufactured these days with image merchants and things like that but character is what we want—a good character. The X-ray effect of television is devastating. It sometimes reveals the character is not as we hoped it would be. I have to stress that I have very modest expectations of politicians. My definition of good government is that things get worse a little more slowly. Malcolm Muggeridge was once asked what the ideal form of government is. He thought for a minute and then he said, "Well the ideal government is an honour guard tempered by assassination." I don't advocate that.

I want to show you some of the things that went on in the last 10 years. I went through Hansard and these were some of the things that our politicians have said. It shows that they may not be very good at governing but they're wonderful at torturing the English language. This was a Tory from New Brunswick and what he said was: "To shoot off your face is one thing, but to put your shoulder to the wheel, that's a horse of a different colour." And a Liberal got himself all wound up in his own rhetoric and said: "I see before me the footsteps of the hand of destiny." There was an interjection: "My conscience is clear. I never use it." But my favourite is an NDPer who was urging the government to action and he said: "It's time to grab the bull by the tail and look the situation straight in the face."

I don't want you to think that this is unique to Canada. I'm very sorry that in this American presidential year my favourite American politician is not running. I'm talking of course about Dan Quail. Some of the papers are coming out now about the Gulf War and there was one famous interchange when George Bush decided to launch an air embargo against Iraq and he said to Quail: "Dan, we're going to have to impose an air embargo." And Quail looked very worried and he said: "George, you can't do that. How will the people breathe?" Quail also said that people are not homeless if they are sleeping in the streets of their own home towns. But my favourite was from Ronald Reagan who got it into his head somehow that trees cause pollution and nobody could talk him out of it. Whenever the subject of pollution came up he started to attack trees. Some of the university students in a northern Californian town who knew that the presidential cavalcade would be passing by knew about this. There was a big oak tree in front of their campus where the presidential cavalcade would be passing so they put a big sign on it which said: "Cut me down before I kill again."

Well "The Canadian Revolution" had a great cast of characters. I have a chapter on Pierre Trudeau, the phantom of the great Canadian opera, appearing at these crucial moments in a cloak and saying very mysterious things and disappearing again. I had a story about Trudeau in Montreal. He went to the doctor recently to get a check-up. The doctor examined him and said: "Well, Pierre, you're pretty good for your age but you are in your seventies now, you have to stop chasing these twenty-year-olds. That's heart attack country." And he named one that Trudeau was going out with at that time. And Trudeau said: "Well you know, if she dies, she dies." And Joe Clark, the decent and honest man that he is, never set the world on fire except by accident. Kim Campbell who has an unerring instinct for her own jugular. And of course, Lucien Bouchard, a man who's not for sale, but is certainly for rent.

David referred to the Charlottetown Accord and that certainly was the trigger to the Canadian Revolution. There occurred a sudden bursting, like buds in springtime of those barriers between thought and feeling that have kept Canadians from asserting their individual sovereignties, leaving them indentured to authority far beyond its worth. I think what the political rebellion was really about is that we could no longer stand the thought that we get the politicians that we deserve.

But that was only one of many rebellions. It was about losing faith in what I call "touchstone institutions" and in a country this large, you have to have faith in something that's larger than your family or your community. There have to be some national beliefs and universal beliefs—the church, religion, for example. I'm not saying that we have lost those beliefs but they have certainly been diluted. As I speak there are 115 priests in jail for sexually attacking little boys and this is bound to lower faith.

We all know what happened to the Red Cross. The RCMP, just this month, couldn't even guard a house. The monarchy—a role model for many Canadians for many years—turned out to be a family of promiscuous mediocrities. Trains—a great Canadian symbol—joining the country from coast to coast. Passenger trains have disappeared. The Grey Cup. What a Canadian symbol. East against West every fall. Now it's in Baltimore. And we are supposed to get excited about the Memphis Mad Dogs.

The diplomats. The diplomats were supposed to be our best and brightest. The Auditor General's report of 1992 showed that our diplomats, 300 of them including ambassadors, cheated on their expense accounts. I went to the External Affairs cafeteria in Ottawa and discovered that in one year our best and brightest stole 2,998 spoons, 2,218 forks and 1,438 knives. Now why they stole 780 more knives than forks, I'm not sure.

Our military tradition. A great military tradition. We have fought with great distinction and honour in two world wars and even in peacetime we had a loyal group of people. Their loyalty is beyond question and their equipment is beyond salvage. There is a story in my book about a manoeuvre, again in New Brunswick, where there was this army cadet corps. The cadets did not have enough rifles to pass around so they used broomsticks for this particular manoeuvre. At one point though one of the soldiers pointed a broomstick at another and said: "Bang, bang, you're dead." And the other said, "No, no, I'm not, I'm a tank." This great military tradition is being questioned now because we know we have documented proof even on camera that they killed a prisoner in cold blood.

Then we turn to business. I have a chapter called "When the bankers went bonkers in their bunkers" about what happened to the banks in the last 10 years and this is very serious. Here are the people who were our fiscal father confessors. We trusted our financial lives to our bankers and I have to hasten to say that we still do. But again it's been very diluted because these are also the people who gave the Reichmanns $9 billion without looking at their balance sheets. And that's only one example as you all know. The recession has got to everybody. The recession was very much part of the revolution. I have a story about a very rich man coming down to breakfast one morning in his mansion and he says to his wife: "You know Erica, we've got to start economising. The recession's even getting to us and I think you should learn to cook so that we can fire the cook." She thinks about this a minute and says: "Harry, that's a really good idea. Why don't you learn to make love? We could fire the chauffeur."

I talked to one of the concerned bankers about what was going on and he said: “You know, I do worry about it but I sleep like a baby. I wake up screaming every two hours.” Just as a footnote to all this, I have to say that most of the banks have indeed learnt a lesson from this especially the Royal Bank, but not all of them. I mean the Commerce, when you look at the Chairman of the Commerce, Al Flood, and you want to trace the downflow of the Commerce just follow his job pattern. He was everywhere that the bank lost a lot of money—from Latin America, to the Reichmanns and everything in between.

What happened in the 1980s, what really dragged down business in terms of public repute was that people equated their net worth with their self worth. Once you do that the social contract breaks down. What came out of the revolution and out of the loss of faith in all these institutions was that we came to depend on ourselves. This is the good news because when you become self-reliant, when you depend on yourself, instead of having faith in all this other stuff, you become first of all much more interesting; you become a person who is much more adventurous, willing to take risks. It is very un-Canadian but it’s true and it’s happening. It inspired many other revolutions as we stopped dreaming of being Clark Kent and wanted to become Superman for the first time in our history.

Let me just briefly trace the history of this deference and the defiance. The reason we are so deferential goes right back to the frontier because the deference came from those Hudson Bay posts and later the CPR. Most of the people on our frontier lived in company towns and when you live in a company town you defer to the authority of the company. It made us very different from the Americans because the American frontier had no corporate infrastructure. There it was—every man and woman for themselves. There was no Hudson Bay Company, no CPR; it was really a wild west with 69 Indian wars. We didn't have any and the Hudson Bay Company even had a motto: never shoot your customers. So you have that revolution of deference to defiance.

There are many others such as the work revolution. There's lots of work; there are very few jobs. Suddenly the two things have split apart. The idea of leaving school and going to a job from nine to five for 20 years and then getting a gold watch is finished. But work, yes. There will be lots of work, very interesting work, but it will be done in task forces. It will be done by people who take on a task and then move out, the way the original cathedrals were built. There was never a cathedral builder. There were people who came in and did the glass work, the carpenters, the stone layers, and then they moved on to other jobs. This is the way it is going to be. There are five million Canadians now working out of their homes and that is the trend of the future. So, yes there will be work, but there will not be jobs. And this is going to cause a great revolution among the way people live.

The First Nation's revolution is the one place I think where there will be violence, certainly in B.C. A University of Chicago sociologist, who spent his life studying the North American Indians, wrote: " They're waiting for us to go away." And they are but we're not going to go away which is why there will be a lot of confrontations.

There is the Western Canadian revolution. In Western Canada (I've lived there for 14 years now) they have their own aspirations and they're not the same. Chrétien's wrong when he gives Western Canada a veto. There is no such thing as the West. There are four provinces. It's like talking about Ontario and Quebec and saying that's Central Canada. It is just silly.

Speaking of Central Canada, we have the Mike Harris counter-revolution. I don't think it's a revolution, I think it's a counter-revolution. The debt in Ontario is now $100 billion and we're very close to becoming a Zaire with polar bears.

Another revolution and probably the one that worries us the most is the Quebec revolution. Mark Twain once said that Wagner's operas are not as bad as they sound but the Quebec referendum is. The difference between the "yes" and the "no" vote is 50,000 people. That's the number of people who saw the Grey Cup so we have one football stadium of people holding this country together and that won't do. One of the problems is that Quebeckers see their future quite differently than we do. We say: "Well either you are in or you're out." There was a recent book called "The Six Degrees of Separation" and six degrees of separation in Quebec are separation, independence, sovereignty, sovereignty association, autonomy and special status. These things are all different to them and we have to respect that. We can't just say that you have to be in or out. We have to give them a chance to be understood. Now we have been granted a reprieve you can't just pretend that the referendum is not going to happen again because it is going to happen exactly 16 months from now. April 17, 1997 is the deadline for the constitutional changes to the original Trudeau constitution of patriation. So the revolution is real and we have to do more about it than just talk about a distinct society. That's beyond this speech but I just wanted to mention it.

So what do we do? How do we muzzle President Manning? How do we get The Honourable Clyde Wells to shut the hell up? These are questions for the future. You can't get away from them and we must do something about it.

One of the other issues I want to bring up because it touches me personally but has nothing to do with revolution is the Americanisation of bookstores. We have two of the largest American book chains planning to come into Canada and as an author I oppose that very strongly. I see in that a threat to one of the last hold-outs of Canadian ownership. Bookstores are not like other stores. You don't just go in and buy a pound of potatoes. You expect people who work there and who own these stores to know something about their product and they do. I would hate to see that nullified by the entry of these strangers.

Now I want to end my talk with a few words about Canada because a French essayist once wrote that Frenchmen never discuss their wives in case the listener knows more about the subject than they do. But we Canadians aren't like that when it comes to the Canadian identity. We keep talking about it and trying to define it. Our favourite definition is from a comedian, who once said that the world needs Canada because if Canada wasn't there the Chinese could sail right across and invade Denmark. I see Canada as a vichyssoise of nations. It is cold, half-French and difficult to stir. Even though most Canadians think the pre-Cambrian Shield is a birth control device, territorial integrity is what gives us our turf and our integrity. Our men and women are sons and daughters of their landscapes, but nowhere is this more true than in Canada where the dominant gene of nationhood has been possession of the land itself. We laid claim to this large land by planting settlements in the shoulders of our shores, the elbows of our rivers, and the laps of our mountains, always testing nature rather than trying to conquer it.

As I go across the country I sense a very strong sense of, what I call in my book, a quiver of common intent. What Canadians are saying to themselves is that they want this country to survive. It is not like an American patriotism where you have banners flying and marching bands. This is a quiver of common intent but it's there and it's strong. It's very strong. Canada was built on dreams as well as appetites. This country is put together not by blood-lines, kin or tradition but by waves of newcomers of every seed and stock who arrive dreaming big dreams. I came here as an immigrant, didn't know the language, didn't know anybody and now I'm being attacked by the Globe and Mail. Isn't that great?

Being Canadian is not a nationality. If somebody says they're Swedish or Japanese they define themselves. But being Canadian is an act of faith, something very different, because it is full of potentials that are as yet unrealised. Being Canadian is a very, very precious commodity. You have to wonder what it is that people around the earth know that we don't know. Why is everyone trying to come here to a country that we take for granted. That's the only advantage that we immigrants have. We never take Canada for granted because we know what a precious place it is. I believe it is time we began to sing some songs in praise of ourselves. Despite the fruitless and sometimes tedious quest to define our national identity Canada is no mere accident of history or some valedictorian's hazy dream. What we have here is the miracle of a country. Ever since 1867 we have lived as a nation, a body of people who have done great things together. We have done great things and we'll do them again.

People say that Canada is in trouble and of course it's in trouble but it's our home. The great principles of individual and collective freedom are practiced here as in few other lands. Let me just very quickly give you two examples of the differences between the United States and Canada. Look at what happened at Wayco and Oka and how those crises were handled differently. Look at the Simpson trial and the Bernado trial. There is something really worth preserving here and let's not forget that. Anyone who doubts what a great country this is should travel to any other place and look back at his Canadian roots. Most countries have troubles that are much greater than ours. If I could leave you with one message it is that you have to travel this country, you have to see it and feel it, not just from an aeroplane but by car. If you can find one, go by train. Touch the earth. That's how you become a Canadian. This is a country blessed with a mandate of heaven.

Let me finish with a small story about something that happened to me once in New Brunswick when I was covering an election. When a stranger goes into a new riding you try to find somebody who looks as though they know what it is all about. I saw this fisherman standing by a wharf and I said to him just to start a conversation: "Have you lived here all your life?" His answer reflected the kind of quiet optimism I feel about Canada. He said: "No, not yet."

Thank you very much.

The appreciation of the meeting was expressed by Anne Libby, Co-Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada

Empire Club Director Anne Libby with Anna Porter, Allan Fotheringham and guest speaker Peter C. Newman.

December 1, 1995

A joint meeting of The
Empire Club of Canada
and
The Canadian Club of
Toronto

The Hon. Ernie Eves

Minister of Finance and Government House Leader

RESTORING ONTARIO'S ECONOMIC STRENGTH

Chairman: **Libby Burnham,** Q.C.
President, The Canadian Club of Toronto

Head Table Guests

Daniel F. Sullivan, Deputy Chairman, ScotiaMcLeod Inc.; Denise Cole, Director, The Empire Club of Canada and Special Assistant, External Relations, Office of the Premier; Gordon Cheesebrough, Chairman and CEO, ScotiaMcLeod Inc.; The Hon. Mike Harris, MPP, Premier of Ontario; Douglas W. Knight, Publisher and CEO, The Financial Post; The Hon. Michael H. Wilson, Director, The Canadian Club of Toronto and Vice-Chairman, RBC Dominion Securities Inc.; The Rev. Elizabeth Kilbourn, St. James Cathedral; and David Edmison, President, The Empire Club of Canada.

Introduction by Libby Burnham

Ernie Eves

On Wednesday, I had the honour of presenting to the legislature our government's fiscal and economic plan to provide Ontarians with a more secure and prosperous future. The plan does what the people of Ontario asked us to do, and what during the election we committed to doing. It starts the process of restoring Ontario's economic strength, rebuilding confidence in this province as a place to work and live, and redressing the problems associated with 10 years of government overspending.

Ontarians were at serious risk of losing much of what they worked so hard to build for themselves and for their children. It's only natural to ask: "How did we get to this point? Why is it that Ontario, which enjoyed strong and steady expansion from the 1950s through the 1980s, has seen only stop-and-start growth in this decade? Why is it that a province that in 1975 spent $9 billion on all its activities will, in the current fiscal year, spend that much on interest costs alone? Why is Ontario spending $1 million more every hour than it takes in—that's $1 million an hour, 24 hours a day, 7 days a week, 52 weeks a year?"

The answer is quite simple: previous governments were living beyond their means. In the past 10 years, spending by previous provincial governments has been so excessive that even with some 65 separate tax increases, including 11 hikes in personal income taxes, the province still had to borrow money to feed its spending habit. And what was the result? The interest we pay each year on the funds borrowed nearly tripled, as did the provincial debt. Today, we owe nearly $100 billion.

What is the legacy of this overspending? Certainly not jobs, prosperity or growth. The economy has slipped in and out of recession in the past six years. There are fewer people working today than in 1990. For those who have jobs, tax increases have meant the average worker is taking home less money after taxes than in 1985. Throwing money, often indiscriminately, at a variety of special projects, initiatives and opportunistic undertakings, has clearly not been the answer to providing real economic growth. In fact, in many cases, it has meant that self-reliance, entrepreneurism, and initiative have given way to an unhealthy reliance on the public purse.

Government resources are not unlimited, as some may believe, and government simply cannot be all things to all people. This is both unreasonable and unsustainable. Today, interest costs from the debt that previous governments ran up are now eating into our ability to pay for services. The $9 billion a year we spend on interest takes 20 cents out of every dollar we collect from taxpayers. That is more than the budget for hospitals, and more than we spend on all levels of education including community colleges and universities. If we let interest costs grow at the rate they have over the past five years, we will be spending $20 billion a year just on interest by the end of the decade.

What kind of stranglehold will this put on our ability to provide essential services? How will we care for the sick and elderly, educate our children, or police our communities then? Past overspending isn't threatening just the provision of services that Ontarians want and need: it's putting our very future at risk. In spite of having a skilled, highly educated work force and a rich resource base, high taxes, high deficits, and too much government have kept our economy lagging behind the rest of North America in the first half of this decade. Businesses—especially small businesses, which are today's engine of job creation—have been reluctant to invest because of a mass of rules and regulations. Entrepreneurs and highly skilled workers have been scared off by taxes. Industries that depend on domestic demand have borne the brunt of Ontarians falling after-tax income.

Between 1990 and 1995, the economy grew on average by only seven-tenths of one per cent each year, and almost all of that growth came from the export sector. Ontario can do much better than that. Since taking office, less than six months ago, we have moved to eliminate the roadblocks for those who create the jobs—by repealing

Bill 40, freezing average assessments for workers' compensation, introducing legislation to abolish the annual corporate filing fee, repealing job quotas and freezing average Ontario Hydro rates for the next five years.

But that is only a start. The plan I presented the day before yesterday seeks to get to the root of Ontario's problems. It takes the first steps toward creating an Ontario where job opportunity outweighs dependence, where sincere need is met with compassion, and where government is a partner in charge rather than a burden.

We believe that Ontario needs less government. To make this a reality, we have focussed on identifying what services government should deliver and the most effective and efficient way of ensuring these are provided. In doing so, it is clear that the last thing that is needed is more intervention by Queen's Park in the lives of Ontarians. This simply creates more bureaucracy, it delays decisions which may have already been delayed too long, and it hamstrings our transfer partners—Ontario's municipalities, school boards, hospitals and colleges and universities—who know what they have to do, and want to get on with it. More centralised control is just more government—and Ontario already has too much of that.

I met with a number of groups and individuals representing our transfer partners as I prepared my fiscal and economic statement. Let me tell you that I was pleasantly surprised to learn that they are ready and eager to make changes, and very much want to work with the province in addressing our critical financial situation. Indeed, this is essential since nearly 70 cents out of every dollar spent by the provincial government goes to transfer agencies and individuals. As I said earlier, another 20 cents is spent on interest, with 10 cents remaining for all direct provincial government programmes. To put that another way, if we were to eliminate all the programmes and services the provincial government delivers directly—including the legislature, all MPPs, all ministries, the OPP and so on, we would only save $5.8 billion out of a budget of more than $56 billion. So our transfer partners must be "on side" if we are to have any hope of solving the financial situation in which we find ourselves.

Well the majority of groups and individuals with whom I met are "on side." But in deciding to work with us they asked for greater freedom to develop solutions that are tailored to meeting the challenges they face. That is why, on Wednesday, our government introduced comprehensive legislation that will give our partners more autonomy and more flexibility in deciding how to provide services. In the Savings and Restructuring Act, we will be removing the strings that were previously attached to some municipal transfers so that municipalities can set their own priorities.

We are moving to ensure that arbitrated wage settlements in the public sector recognise fiscal reality by requiring arbitrators to consider an employer's ability to pay. My colleague, the Minister of Education and Training will be working with those in the educational community to identify new ways to improve productivity in our schools, and programmes rationalisation and co-operation in our colleges and universities. We are setting up a Health Services Restructuring Commission which will assist in restructuring hospitals and the services they deliver. Related legislation will allow hospitals to reduce duplication and focus resources on direct patient care. You may have heard or seen the theatrics of some members of the opposition yesterday during Question Period. The issue on which they were posturing concerned the government's commitment to health care. Let me quote the relevant passage from my statement: "Despite the need to reduce overall spending, our government remains committed to protecting our health-care budget."

This is not a commitment to maintain the status quo. We need to find savings in some areas in order to meet new needs in other areas—for example, to provide new technologies, to reduce waiting lists, and to meet the needs of an aging population. By acting to reduce spending on some health programmes and reinvest in others, we will ensure that total health-care spending at the end of our term of office is protected at no less than $17.4 billion—the same level as when the Common Sense Revolution was published.

Already our government is taking steps to reinvest health dollars where they are needed most:

- An extra $25 million is being reinvested in kidney dialysis services.
- $15.5 million is being reinvested in expanding emergency paramedic services, providing advanced training to almost 400 paramedics across the province.
- OHIP coverage for out-of-country emergency services has been restored.
- We are planning to reinvest additional funds to permit patients with acquired brain injuries to be treated here in Ontario rather than in the United States.

Where we differ from the Opposition is that we believe savings must be identified before new spending on health care can be undertaken. To do otherwise would just put us further in debt. Whereas the other political parties would have us spend first and not worry about the financial consequences, we believe that a prudent, reasonable, planned approach to our investments in health care is essential. We will keep our commitment to provide both the funding ($17.4 billion) and services that are required to ensure the health needs of Ontarians are met.

The decisions I announced this week were not easily arrived at. They were the result of extensive consultation and deliberations. The accommodation of reduced levels of transfers will not be an easy task for our transfer partners.

But let me also put this into perspective. Our reductions:

- to municipalities represent two per cent of current municipal spending;
- to school boards—three per cent of the cost of operating Ontario schools;
- to colleges and universities—seven per cent of total expenditures; and
- to hospitals we have provided guaranteed levels of funding for the next 3 years within our $17.4 billion commitment to health care.

What does this mean at the provincial level? Well, it means that provincial per-capita spending next year will be at approximately the same level as it was in 1990–91, just five years ago. So those who seek to portray our actions as taking us back to some time in the distant past where public sector services were either non-existent or few and far between, need to pause and readjust their thinking. It would be irresponsible to do nothing, to continue to work in the old ways and to stand in the way of change. Governments and public institutions around the world, at all levels, are finding new ways of improving services while remaining accountable to taxpayers. We want Ontarians to have the benefits of similar changes. We can't accept the status quo. We can't accept an economy operating well below its full capacity, creating fewer productive jobs than it is capable of. That is why our plan aims to restore Ontario's fiscal and economic strength. We need an economy that performs as well and creates as many jobs as it has historically in Ontario; that means smaller government and lower taxes. We committed during the election campaign to reducing income taxes and I can assure you that come next year we will do just that.

This year we inherited a deficit of $11.2 billion on a PSAAB basis and next year our deficit target is $8.2 billion—a difference of $3 billion. In addition, public debt interest costs will increase by $1 billion. Therefore, we must cut at least $4 billion to achieve our target. In my statement I announced savings for 1996–97 of $4.5–$5.5 billion that will enable us to meet our deficit target.

The detailed design and timing of the tax cut have not yet been determined. Those decisions will depend on how well the economy performs and the level of savings achieved next year. Clearly our goal is to put more money back into the hands of people and businesses in Ontario so that the private sector can grow and create the jobs we need. In this way, we will be able to ensure that Ontarians will enjoy a better, more prosperous and secure future.

The appreciation of the meeting was expressed by David Edmison, President, The Empire Club of Canada.

Madam Chair, Minister, Reverend Kilbourne, distinguished guests, members and friends of The Empire Club and Canadian Club.

In his novel "David Copperfield," Charles Dicken's character Micawber said: "Annual income 20 pounds, annual expense 19 pounds—result happiness; annual income 20 pounds, annual expenses 21 pounds—result misery." Micawber, of course, was confined to the King's Bench Debtors' Prison. Well in Ontario our expenses have exceeded our revenues for some time, but few would characterise our existence as misery—at least not yet.

It was rather interesting to watch President Clinton's standoff with Congress and witness first hand what happens when a government can no longer borrow money and has to close down. Even though it was a temporary phenomenon, it's chilling to think this might some day happen to us, particularly with our dependence on foreign credit. It is apparent we cannot travel along our current path without losing our credit rating and possibly our ability to borrow; clearly we must make some sacrifices. There is an old Chinese expression that "if you don't change direction then surely you will go where you are headed."

Minister, you and your government are endeavouring to lead us down a different path, running in a different direction. Your economic statement and your comments this afternoon make it clear your priorities are to balance the budget and thus reduce our dependency on debt. I know I speak for many when I wish you every success.

As a taxpayer I would like to express my appreciation to you for reaffirming your election promise to give us a tax break. As a parent, I would like to express my appreciation to you for your resolve to make our province strong and prosperous for the next generation, and as President of The Empire Club and on behalf of the Canadian Club and our joint members, I thank you for taking the time to be with us today. Good luck in the important task ahead of you.

Empire Club President David Edmison with head table guest Premier Mike Harris.

The Hon. Kim Campbell, former Prime Minister of Canada with Empire Club Director, Denise Cole.

Premier of Ontario Mike Harris with head table guest, Daniel Sullivan, Vice-Chairman of Scotia McLeod.

Paul Singleton and Henry Pankratz of Ernst & Young flank guest speaker Denis Desautels.

December 8, 1995

L. Denis Desautels

Auditor General of Canada

WHAT'S NEEDED TO MAKE GOVERNMENT CHANGE SUCCESSFUL?

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Jeya Nadarajah, OAC student, Western Technical School; Tom Harpur, Journalist, The Toronto Star; The Rev. Dr. Douglas Lobb, Senior Minister, Timothy Eaton Memorial Church; Paul Singleton, Partner, Ernst & Young, specialising in tax; Erik Peters, Provincial Auditor; Donald K. Johnson, Vice-Chairman, Nesbitt Burns Inc.; Douglas Derry, Partner, Price Waterhouse, a Past President, The Empire Club of Canada and President, The Empire Club Foundation; Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada; Elizabeth Loweth, Executive Director, The Canadian Centre for Ethics and Corporate Policy; Bruce McMinn, Barrister and Solicitor, Farano Green; Michael Rayner, President, The Canadian Institute of Chartered Accountants; and Henry Pankratz, Deputy Chairman, Ernst & Young.

Introduction by David Edmison

I've heard it said: "The nine most terrifying words in the English language are 'I'm from the government and I'm here to help." Indeed, for many in the private sector, a government auditor showing up at their place of business is as welcome as a June frost. The reception is no doubt just as chilly.

The one government official however who has found favour with the private sector and the taxpayers of Canada is our Auditor General. He is responsible for reporting to the House of Commons on just how effectively the "stewards" of our federal government are doing spending and collecting our money.

His report, published each year, includes a number of observations concerning departmental expenditures and tax revenues. Many issues are addressed which generally involve failure to comply with authorities and expenditure of money without due regard to economy. In his most recent report, our special guest Mr. Denis Desautels asserts that the federal government has spent $4 billion in regional economic development since 1988 with little certainty the money has accomplished the job for which it was intended.

He cites the following areas of concern: "a lack of information on which programmes have worked and which have not; the need for cost effective, risk-based project assessment; lengthy approval times; the need for continued co-operation among the entities; and the challenge of implementing changes to repayment policies while ensuring a balance between programme objectives and collection."

Quite obviously the job of Auditor General is a demanding one. It requires a person who is thorough, experienced, can focus on getting to the root of a problem or issue and possesses outstanding communications skills in both our official languages. Mr. Desautels is well qualified for this important responsibility. His background is impressive. Born in St. Bruno, Quebec, he attended school in Montreal. After earning a Bachelor of Commerce degree from McGill University, he joined the firm of Clarkson Gordon, now known as Ernst & Young. Well before the explosion in the use of computers, our guest spent his time as a computer specialist and lectured on information systems auditing at various universities and professional groups.

In 1973, Mr. Desautels moved to our nation's capital to be the resident partner for Ernst & Young. It was here he began his long association with the office of the Auditor General. From 1974 to 1978 and 1978 to 1980 he actually worked at the office of the Auditor General on an executive interchange. He managed assignments which included auditing the Public Accounts of Canada, an audit of the United Nations in New York and Geneva, and a comprehensive audit of Canada Employment, to name a few.

In 1982, our guest moved to Quebec City to manage the office of Ernst & Young and acted as an advisor to the Auditor General of Quebec. In 1987 he moved to the Montreal office and three years later was appointed Regional Director of Consulting Services for the province of Quebec and National Capital Region. In April 1991, he was appointed Auditor General of Canada.

Mr. Desautels has been recognised by his peers for distinguished service to his profession and was awarded the designation "Fellow" by the Order of Chartered Accountants of Quebec in 1986 and by the Institute of Chartered Accountants of Ontario in 1991.

He has lectured at McGill University and the University of Ottawa. He is presently a member of the Canadian Comprehensive Auditing Association and sits on the Board of Trustees of the Ottawa General Hospital. Despite his busy schedule Mr. Desautels has found time to devote to the Red Cross, where he served as President of the Ottawa section, and to the United Way, where he served as Treasurer of the Quebec Branch.

Ladies and gentlemen, I ask you to welcome our very distinguished guest, the Auditor General of Canada, Mr. Denis Desautels.

Denis Desautels

It gives me great pleasure to speak to the members of The Empire Club of Canada today. I consider it a privilege to address this historic forum whose roster of speakers is particularly noteworthy. Thank you for your kind invitation.

Nineteen ninety-five brings us to the mid-point of the decade—a point when we can begin to see how the decade may eventually be remembered. I venture to guess that one of two words may be used when we look back on this decade.

The first word is uncertainty, something that never seems to be far from the minds of Canadians. Ask Canadians—especially young ones—about their outlook on life and they tell you of their hopes. But they also tell you of their worries—worries about the changing economy, the deficit, the environment, constitutional issues, and what this all means for the future.

No doubt some of the uncertainty comes from the changing role of government. For years, we have come to rely on government to provide an element of stability in a changing world. Now government, too, is changing—federally, provincially and locally. This change raises anxiety about cutbacks and the loss of key government services.

Uncertainty may be one word to describe the 1990s. Another word that may be used is transformation. Many believe we are witnessing change on a scale not seen since the industrial revolution. And just as the industrial revolution transformed society in the early 19th century, the transition to the "information age" may transform our society in the early 21st century.

Whether we remember this decade primarily as a time of uncertainty or as one of transformation largely depends on how we respond in the next five years to the issues before us.

I see many reasons to be optimistic, particularly when it appears that most Canadians now recognise the seriousness of the government's financial situation and better understand its consequences. They recognise that change is needed. With that recognition has come broad support for refocussing government. There is growing recognition, too, in Canada and elsewhere, that a sound government sector is key to a nation's economic well-being.

The 1995 Report of the Auditor General

Today, I would like to discuss our 1995 report. This has been an eventful year in the history of my Office. Following last year's amendments to the Auditor General Act, we are no longer limited to one report a year. In May, we ushered in a new era with our first "additional report." We also published reports in October and November. My comments today will focus on highlights from all three reports.

The 1995 reports deal with many topics of concern to Canadians—ethics and fraud awareness in government, federal transportation subsidies, deficits and debt, the Air Transportation Tax, regional development programmes, managing the legacy of hazardous wastes—to name a few. This coverage reflects the Office's commitment to making a difference for the Canadian people by promoting answerable, honest and productive government.

It would be impossible to give you, in a few minutes, an in-depth picture of the whole report, so I will focus on three core themes. All of these themes relate to government change. To begin with, I would like to address the government's fiscal situation, the cause of much of the change it is undergoing. Then I will discuss ethical standards in government. Finally, I would like to talk about some key actions that are needed to improve government management if change is to be successful. I would also like to say a few words about the environment and some proposed changes to the Auditor General Act. I will conclude with some comments on the value of the Auditor General's reports generally and, I will give some reasons why, in my view, these reports are positive agents of change in public administration.

The Debt Burden Should Be the Main Focus of Fiscal Policy

Ten years ago, the federal budget deficit was $35 billion, or 7.2 per cent of GDP. This year's deficit is projected at $33 billion, or 4.2 per cent of GDP. Are we fiscally better off today than we were 10 years ago? The bond rating agencies don't seem to think so. In 1985, our debt was universally rated triple A. We no longer enjoy that top rating.

Financial markets don't seem to think so either. Ten years ago, our interest rates, in inflation-adjusted terms, were about the same as those in the US. Today they are more than two per cent higher.

The Canadian government and Canadians generally don't seem to think so either. There is substantial consensus across the country and across the political spectrum that we can no longer coast along as we used to, that we must retrench and tighten our belts.

Why is that? Many things have changed over the past decade of course, but if I were to zero in on the single most important factor behind our weakened financial condition today, compared to 10 or 15 years ago, it would have to be our increased indebtedness. At 73 per cent of GDP, the federal debt burden today is roughly 50 per cent higher than it was in 1985 and more than two and one-half times greater than it was in 1980. Provincial debt burdens also grew very sharply over this period. As a result, Canada's public sector indebtedness today is among the highest in the industrialised world.

High debt levels have harmful fiscal consequences. They reduce the flexibility of government to respond to adverse economic shocks, because they reduce the willingness of financial markets to lend us money except at increasingly higher prices. They constrain the ability of government to deliver public services, because of the large share of revenues absorbed by interest costs. And they render public finances more vulnerable to rising interest rates, because the higher the debt, the greater the impact of rising interest rates on debt service costs.

Twenty years ago, the debt-to-GDP ratio was about 19 per cent, just a little more than a quarter of what it is today. If we could have that same low debt burden today, at current interest rates, our debt service charges would be some $32 billion lower. This is about the same as our deficit is expected to be this year. In other words, given our present levels of spending and taxation, we would not have any deficit today. And our debt-to-GDP ratio would be on a downward trend. The meaning of all this is that the debt burden is a better summary indicator of the government's financial condition than is the annual deficit. And government indebtedness, therefore, rather than the deficit over any particular period, ought to be the main focus of fiscal policy.

This does not mean that we ignore the deficit of course. After all, it is only through deficits that we accumulate debt. But the deficit is only the change in the debt over a single accounting period. It can vary for a host of reasons, from changing economic conditions to one-time fiscal impacts like natural disasters or some other unanticipated claim. Focussing on the debt allows us to take such temporary detours without being thrown off the long-term course.

The Unpleasant Arithmetic of Growing Indebtedness

The huge run-up of public debt over the past two decades occurred because fiscal policy did not adjust to a deterioration in economic circumstances since the mid-1970s. In the early post-war decades, economic growth had, on average, exceeded interest rates. In those favourable circumstances, it is possible for government to borrow to pay the interest on its debt and still have its debt ratio fall. In fact the federal government over this period generally ran operating surpluses, bringing the debt ratio down markedly, from over 100 per cent at the end of the war to 19 per cent in 1975.

Since the mid-1970s, this economic condition began to reverse itself leading to a situation where interest rates over the last 15 years have persistently exceeded economic growth. When that happens, interest charges cause the debt to grow faster than the economy, and the debt burden to rise, unless we run offsetting surpluses between revenues and programme spending. In fact, the reality is that we recorded operating deficits rather than surpluses over most of the past 20 years. If interest rates stay higher than growth rates in the future, we will need large operating surpluses merely to stabilise the public debt ratio at its current level. To lower that ratio, the surpluses would have to be even larger.

The dilemma is that there is no one right answer about what is an appropriate debt ratio. Is 73 per cent too high? Is 50 per cent too low? How long should we take to achieve a lower ratio? These are the decisions that government will have to make in consultation with Parliament and the public. For that consultation to be meaningful, the government will have to give Parliament information that lays out the meaning of different long-term debt scenarios. This would include the revenue and spending consequences associated with each scenario. Individual budgets could then be judged against this long-term perspective. In the absence of longer-term debt targets, individual budget balances are less meaningful and, as in the past, may well lead us to places we did not want to go.

Ethical Standards in Government

I would like to take a few minutes to explain why I think ethics is an important topic for Canadians.

Most of you in the audience have had to address the question of ethics in business. Here in Toronto, just last week, at a conference at the Canadian Centre for Ethics and Corporate Policy, it was noted that over half of the largest corporations in North America have codes of ethics and over 25 chairs in business ethics in business schools are funded by corporations. It is notable that the conference was attended by representatives of major Canadian companies including Ontario Hydro, the Bank of Montreal, Royal Trust, Hudson's Bay Company, IBM Canada, Canada Trust, Imperial Oil and the Royal Bank.

In talking about ethics, one runs the risk of seeming to have a smug, holier-than-thou attitude. I hope I do not. But people expect the Auditor General to be a watchdog with respect to honesty within the public service—

remaining vigilant to see that public funds (your moneys as taxpayers) are spent honestly, efficiently, economically, effectively, and for purposes properly authorised by Parliament. It is for this reason that the first of my new periodic reports, tabled in May of this year, contained a chapter on Ethics and Fraud Awareness in Government. In it, I reported that, although I believe Canada's public service compares favourably with that of other countries, and although there was evidence of a strong base of ethical standards among public servants, nonetheless we found some areas of vulnerability. I do not believe all such vulnerabilities can be cured solely by a whistle-blowing audit approach. There must be an internal discipline as well. I therefore proposed an ethical framework consisting of seven discrete elements designed to maintain and promote ethics in government.

What I would like to address for a moment is the point that ethics in government needs leadership—and not only from Parliament. It also needs leadership and co-operation from Canadian citizens—from each of us, for example, in this room.

Two months ago, an article in "Maclean's" magazine ("Offshore Billions") talked about how "Canadians are finding new ways to hide their money from the tax man." The article discussed the growing popularity of seminars, self-help books, and professional advisors who make it easier to tuck money away in offshore tax havens out of reach of Revenue Canada. "The hitch, of course," as well-known author Stevie Cameron pointed out, "is that anyone who does that is breaking the law." But apparently many Canadians are willing to do just that. The article noted that a recent Financial Post/COMPAS poll found that "77 per cent of Canadians would cheat on their taxes if they could" and the reasons given were high taxes and disgust with politics and politicians.

But, of course, taxpayers who cheat on their taxes are not really punishing politicians and government.

Ultimately they are punishing (stealing from) their fellow citizens. It is like going out with friends to lunch and then cheating on your share of the bill when it comes around. It does not hurt the restaurant; it hurts each of your friends around the table whom you cheated.

From time to time there are indeed examples of unethical acts within the public sector. Such acts should not be tolerated. But we don't cure the problem by each of us going out and doing likewise. It is not my business to tell Canadians how they should behave. That is a matter of individual conscience. I simply observe that it will be harder to create a framework of ethical behavior in government—which is my legitimate concern—if it becomes commonplace for individual citizens to both practice and boast about cheating the government.

I have said that I believe the Canadian government compares favourably with others in terms of integrity. But this does not mean that we need not be vigilant. Complacency is a real danger. We must work to improve the public's confidence. I agree with those that believe that the ethics we teach our children must be the same as the ethics we practice at work.

Ethics in government is a complex and controversial subject. That is why discussing it openly and working actively to promote it—by words and by actions—is so important.

Actions Needed to Make Changes in Government Successful

Now I would like to present some actions that I believe are needed to make changes in government successful. In the February 1995 budget, the government announced a series of cuts and programme changes. The Minister of Finance said that these changes are "by far the biggest set of actions in any Canadian budget since postwar demobilisation." Many provincial governments are taking similar action.

The budget reflected decisions from an exercise called Programme Review. That exercise asked six searching questions about each government programme. I am encouraged that the process moved toward a fundamental rethinking of each programme and away from "across-the-board" cuts.

Whether it comes quickly or not, major change seems inevitable. But with so much attention drawn to programme changes and expenditure cuts, there is a risk that the basic functions of government will be undermanaged and that needed improvements will be postponed. From my perspective as Parliament's auditor, and supported by the findings of audits conducted by my Office, I believe I am able to make some important recommendations that can contribute to the worthwhile goal of government renewal. The recommendations I want to discuss today deal with: management of information technology, financial management and control; accountability for joint programmes; and, regional economic development.

Manage Information Technology Better. Information technology is a critical part of government renewal. It offers improved services while also helping government cope with resource reductions. At the same time, information technology is a risky business.

In October we reported on our review of four major information technology initiatives. The picture that emerges is that much needs to be done to manage the formidable risks of information technology development projects. Consider the following scenario.

Imagine that you are a senior government executive faced with major budget cuts, unrelenting demands for new services and an aging computer system. Your computer system staff, after many months of planning, present you with a proposal to develop a new system. It would be a massive project, requiring a large investment and several years to complete. But the projected benefits in resource savings and improved client service are extremely attractive.

Tempting, isn't it? There has been a strong tendency to opt for such large computer megaprojects, with costs typically in excess of $100 million. Almost everything about these large projects increases the risk of failure. In our view, only one of the four systems we reported on is currently being managed to deal satisfactorily with project risks.

Experience in the private and public sectors suggests that more modest or phased projects can yield the benefits of information technology at considerably less risk. For information technology projects to realise their potential contribution to government renewal, we must manage their risks better. We must be realistic about what they will actually cost and what they can deliver.

Improve Financial Management and Control. You may recall that 20 years ago, former Auditor General J. J. MacDonell said that financial management and control was "grossly inadequate." In 1987, my predecessor, Kenneth Dye, found significant improvements, but also that serious problems remained.

The questions we have been asking are as important as ever. Are financial controls adequate? Do managers fully understand what government services cost? Do ministers and deputy ministers have available the financial information, advice and support they need?

Unfortunately, my auditors continue to find serious problems in financial management and control across a broad range of government operations. For example, over the past three years we have found the following:

- opportunities to reduce costs in excess of $100 million a year through better management of fixed assets;
- lack of information to manage resources and to control costs;

- instances of insufficient involvement of senior financial officers in important decisions; and
- little progress until recently to develop a new accounting system for the federal government after eight years of effort.

There is no question that the last 20 years of effort to improve financial management and control have brought some success. But it is time for the government and my Office to take a different tack, and we will be doing just that. We have agreed to work with the Treasury Board and the senior financial community to help make financial management more effective.

Improve Accountability for Joint Programmes. Improving accountability has been the aim of numerous government initiatives over the past 10 to 20 years. But results—as opposed to talk—have been disappointing. The subject of accountability and its practice are ever more important as the public sector moves away from excessive pre-controls on the dollars spent and authorities used and moves to a focus on the results accomplished in relation to expectations. Improved accountability is necessary for all types of government programmes.

Part of the changing nature of government is a much greater involvement by other parties in the design and delivery of federal programmes. Examples abound—joint federal-provincial programmes, contracting-out, programme delivery by non-governmental organisations, delegation of programmes to client groups—to name a few.

Joint programmes offer many potential benefits. The interplay of different parties, each with different strengths and perspectives, can do much to improve client service and save money. But it also brings additional challenges. For some time, I have been concerned about accountability in these programmes.

Some of you may remember that there have been major disagreements in past years between CIDA and my Office on the issue of accountability. In Public Accounts Committee hearings in 1991, CIDA refused to accept responsibility for problems with a coal scrubber plant in Pakistan. CIDA argued that many factors were out of its control because the project involved other parties.

In October we reported on our efforts to help CIDA manage for results and improve accountability through better reporting of results. I am particularly encouraged that CIDA has clearly recognised that it is responsible for achieving and reporting results. The initial steps CIDA has taken at its headquarters toward results-based management are in the right direction. The next steps are crucial. CIDA must work with those in the field who deliver its projects to define and become responsible for results.

Measure Results Achieved from Regional Economic Development Programmes. The history of regional economic development programmes in Canada is one of frequent change. Changes are being made again, some as a result of the February 1995 budget. This year we devoted considerable attention to these programmes with five chapters in the November report.

The chapters describe a number of significant operational problems. The other set of problems faced by these programmes concerns public confidence. A good part of the answer to both sets of problems lies in putting more emphasis on achieving results and on having good information about results.

Sound information on results should also help elevate and inform the debate about these programmes. Are proponents of regional economic development correct, or are the critics? Are the benefits in job creation and expanded economic activity worth the cost to the taxpayer? Do projects provide long-term benefits? Do reports of individual problem cases represent isolated examples, or widespread problems? Without sound results information, and sadly we don't have much, Canadians have little basis to weigh the merits of the programmes. As well, decision makers have little information on results to help guide change. I am convinced that better results information is possible, and essential.

The Environment: Our Fourth "E"

Mention the Office of the Auditor General, and most people think accounting. Or maybe they think of the three "Es": economy, efficiency and effectiveness. Many are surprised to learn that in recent years we have put considerable emphasis on a fourth E—the environment, an issue that ranks high among the concerns of Canadians.

In the past decade, in a succession of audit chapters, we have explored environmental issues from almost every conceivable angle—operations, financial, legal and accountability issues. This was done as part of our mandate to report matters of significance to Parliament. This year was no different with three chapters on environmental issues.

One of the most important messages in those chapters is the need for a much greater sense of urgency in tackling the issues because there are considerable risks in postponing action. Consider the evidence:

- Progress in Canada to find permanent disposal solutions for radioactive waste and PCBs is slow.
- We continue to rely on interim storage solutions for radioactive waste and PCBs, increasing costs and safety risks.
- The federal government has been slow in dealing with its own waste problems.
- Funding for the clean-up of hazardous waste sites has ended without clear plans for completing the clean-up.

I am particularly concerned that too little has been done to protect the interests of present and future taxpayers. In many cases, companies have been unwilling or unable to pay the costs of cleaning up the waste they have produced, leaving the bill to the taxpayer. The costs of waste management are staggering: disposing of radioactive waste alone is expected to cost at least $10 billion. Canadians expect government to deal with problems expeditiously. I realise that this presents a considerable challenge to government, but it is a challenge that must be met.

In April, the government introduced amendments to the Auditor General Act as part of the move toward "green" government. As of today, the amendments are being discussed in the Senate, and we hope that they will be accepted and passed before Parliament adjourns for the Christmas recess.

The changes would place new responsibilities on departments to prepare sustainable development strategies and action plans for tabling in Parliament by the responsible minister. The changes would also place important new responsibilities on my Office, responsibilities that are a natural extension of our present environmental work. The amendments would create the Commissioner of the Environment and Sustainable Development, appointed by and reporting to the Auditor General. On behalf of the Auditor General, the Commissioner would monitor the departmental strategies, action plans and the status of responses to public petitions. The Commissioner's work would be reported in a new annual "green" report. The proposed amendments maintain my Office's traditional independence and role; there is no requirement for the Commissioner to judge the merits of policy, to arbitrate disputes as an ombudsperson, or to examine matters outside the federal government.

I look forward to continuing to serve Parliament and Canadians in this most important area.

The Usefulness of Our Reports

I would like to say a few words about the general usefulness of our reports. Some people think that we report the same thing each year, and that, in fact, nothing really changes. Allow me to show that this perception is far from the truth. Many things do happen both while we are auditing and preparing our reports and also once the reports are released.

There is, first of all, a deterrent effect. This is difficult to measure, but common sense tells us that the existence of the Office of the Auditor General and the fact that it audits government programmes have a considerable impact on government operations.

Various entities make corrections during the auditing process, simply because the process itself entails a critical review of their systems and practices and they discover ways to do things better. Departments also want to soften the criticism of their activities mentioned in our reports. We hold many discussions with departments as we conduct our audits and write our reports. Based on our discussions and draft reports, departments often make a commitment to take corrective action or begin to make changes even before our reports are made public.

In all of this, we should not underestimate the significant impact of the fact that ours is a public report. A public report helps bring about change. Public opinions can move politicians to act, and politicians can influence the behaviour of the machinery of government. The Auditor General's reports are permanently referred to the Public Accounts Committee of the House of Commons. This committee asks senior public servants from the departments we've audited to testify at its hearings to review our findings with the Committee's members.

Our people also re-examine the situation described in each of our report chapters about 18 months later. We ask departments what action they have taken to correct the shortcomings we identified. The results of this follow-up are presented in the next report and departments are sometimes called upon to testify about them before the Public Accounts Committee.

There are many examples of where our reports have made a difference, but let me describe just one. In my 1994 report, I stressed the importance of protecting the integrity of the tax base, one of Canada's most valuable assets. I expressed several concerns about the performance of our tax system, based on the Office's work over a number of years. In his 1995 budget papers, the Minister of Finance included the government's response to our concerns. To my knowledge, the government has not responded to our reports in this way before. As well, the Public Accounts Committee held several hearings on tax policy and administration matters and issued three reports. The Committee's recommendations call for significant improvements, and I support them. Revenue Canada has also reported to the Committee its progress on compliance initiatives mentioned in my 1994 report.

Many people see, or want to see, the Auditor General's reports as a litany of horror stories that will confirm their view of massive waste and mismanagement in the federal government. While examples do exist, and some are dealt with in our reports, I prefer to downplay them because they only serve to show that there are weaknesses in the system that have to be corrected. It would be wrong to focus on symptoms without looking for a lasting cure. That's in fact what our staff has been concentrating on over the past few years—looking for ways to deal better with systemic, generalised problems and weaknesses in federal government programmes, so that our recommendations for improvement will really make a difference.

As well, we are attempting to provide Parliament with objective information that we believe will help it in making important decisions, at a time when it is needed most. Focussing on past mistakes can be like closing the barn door after the horse has bolted. We believe we can provide an equally valuable service to Parliament and to other Canadians by informing them about the condition of the barn door while the horse is still in the barn.

Conclusion

I began this speech by saying that one of two words may be used in years to come to describe Canada during the 1990s—uncertainty or transformation. I also said that I see plenty of reasons to be optimistic. Ultimately, whether we remember the 1990s primarily as a time of uncertainty or a time of transformation depends on how each of us responds to the challenges we all face.

For legislative auditors, the challenge is to help, not hinder, the process of change.

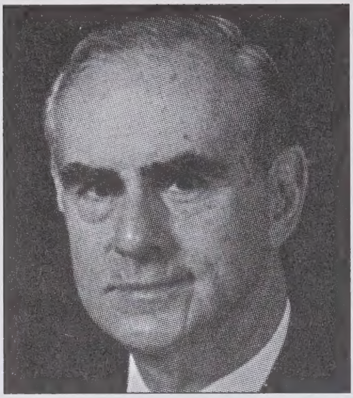
For public service managers, there are many challenges, but perhaps the greatest one is to concentrate on results and not follow process merely for its own sake. This includes working hard to maintain morale in the public service so that taxpayers can receive value for their money.

For public servants, the challenge is to continue to innovate, to remain motivated and enthusiastic about serving the public interest, even in the face of less job security. For politicians, the challenge is to find the right balance between action on the debt and all the other competing priorities of government.

For all of us, the challenge is to look beyond narrow self-interest: to accept that fundamental change will indeed affect everyone, and often in unwelcome ways. We can flounder around in uncertainty, postpone tough decisions, bemoan the loss of our favorite government programmes, and blame international money markets for our plight. Or, we can get on with the business of transformation.

Thank you.

The appreciation of the meeting was expressed by Douglas Derry, Partner, Price Waterhouse, a Past President, The Empire Club of Canada and President, The Empire Club Foundation.



December 14, 1995

The Hon. Henry N. R. Jackman

Lieutenant-Governor of Ontario

CHRISTMAS LUNCHEON

Seasons Greetings from the Lieutenant-Governor and Special Performance by the Toronto Mass Choir

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Denise Cole, Special Assistant, External Relations, Office of the Premier and a Director, The Empire Club of Canada; Huyen Vu, OAC student, Central Commerce Collegiate Institute; Phil Fraser, President, Vision TV—Canada's Inter-Faith Network; David Broadfoot, comedian, actor, and founding member of the Royal Canadian Air Farce; John Latimer, known as chief to the campers of Camp Kilcoo and Head Master, Royal St. George's College; Frank Mahovlich, hockey player, winner of six Stanley Cups, four for the Toronto Maple Leafs, two for the Montreal Canadiens, and Member of the Order of Canada and the Hockey Hall of Fame; Colonel David Rive, Commander, Armed Forces, Toronto District; Michael Burgess, actor and singer and star of the musical production "Les Miserables"; Larry Stout, Broadcaster, CTV Television Network and a Director, The Empire Club of Canada; Jane Craig, former board member and Assistant Conductor, The Oriana Singers of Toronto, former member of the Mendelssohn Choir and General Manager, The Kiwanis Music Festival of Toronto; Anne Tannenbaum, philanthropist and recent generous donor to the University of

Toronto medical research facility; The Rev. Canon Harold Roberts, Rector, St. Timothy's Church, Agincourt, Honorary Chaplain and a distinguished Past President, The Empire Club of Canada; David Johnston, Professor of Law and author, former principal, McGill University, Chairman, The Canadian Institute for Advanced Research, Chairman, Montreal "No" Campaign in the recent Quebec referendum and an Officer of the Order of Canada; and Allan Beattie, Q.C., Vice-Chair, Eaton's of Canada, Chairman, Baton Broadcasting, Honorary Chairperson, The Hospital for Sick Children and a Member of the Order of Canada.

Introduction by David Edmison

We have a head table today of very distinguished and accomplished Canadians—individuals who clearly have made a difference. It is my pleasure to welcome one of those individuals now, our honoured guest, Colonel, The Honourable Henry N. R. Jackman, Lieutenant-Governor of our province.

His Honour is Ontario's 25th Lieutenant-Governor and the 39th since the first Lieutenant-Governor John Graves Simcoe came to Upper Canada over 200 years ago. He has served in his present capacity for just over four years, having been sworn into office on December 11, 1991.

When one thinks of philanthropy, giving and commitment to public service, the name Jackman invariably comes to mind. His Honour and his family have been active in a host of charitable endeavours in this province and country for many years. The Empire Club of Canada has been a direct beneficiary of the leadership his family has shown. His Honour was a distinguished Past President in 1971, his brother Eric was recent Past President and his son Duncan is an active and supportive Director of the Club.

Ladies and gentlemen, it is my great pleasure to ask you to welcome, a man who has served both our Club and our province with distinction, His Honour Henry N. R. Jackman.

Lieutenant-Governor Jackman

Thank you very much David. You are right. It was December 11, 1991, that I became Lieutenant-Governor and the very first event that I went to as Lieutenant-Governor was to The Empire Club's annual Christmas dinner. This is my fourth dinner as Lieutenant-Governor. It's probably about my 34th as a private citizen going back to that very first Christmas dinner, when I was brought by my father and my brother Eric many years ago. But I'm delighted to be here again. The Empire Club has a very special significance not only for me personally but for all those who believe in our system of government, who believe in the Queen and what she stands for and who believe in Canada.

The magnificent speeches of the people who come to address The Empire Club are recorded for history in that magnificent book that comes out every year. If you have copies of them all, and I have a copy I think of almost every one of them, you'll see a history of our country. You'll see how this country evolved. Read them. You'll become a better Canadian. I'm delighted to be here today and wish you the very best for the Christmas season on behalf of Her Majesty and myself. I'm looking straight ahead and I see this magnificent choir in front of me and I know you'd rather hear them than listen to me talk any longer. So God bless you all. Merry Christmas.

Thank you very much.

David Edmison

Thank you Your Honour for those sentiments. This luncheon is one of the highlights of our Empire Club season and your presence here makes it ever more special. On behalf of all of us I thank you for your participation and support.

Almost 100 years ago a little girl by the name of Virginia O'Hanlon wrote a letter to the editor of the New York Sun, a leading newspaper of the day. She wrote: "Dear Editor, I am eight years old. Some of my friends say there is no Santa Claus. Papa says, 'If you see it in the Sun, it's so.' Please tell me the truth, is there a Santa Claus?"

The letter was turned over to a Francis Pharcelles Church, a relatively unknown former civil war correspondent. Mr. Church's reply to Virginia's letter was published as an editorial in the New York Sun on September 21, 1897. This was one of the most famous editorials ever written, translated into at least 20 languages and published in thousands of newspapers around the world.

Mr. Church wrote: “Virginia, your little friends are wrong. They have been affected by the scepticism of a sceptical age. They do not believe except what they see. They think that nothing can be which is not comprehensible by their little minds. All minds, Virginia, whether they be men’s or children’s are little. In this great universe of ours man is a mere insect, an ant in his intellect, as compared to the boundless world about him, as measured by the intelligence capable of grasping the whole of truth and knowledge.

Yes, Virginia, there is a Santa Claus. He exists as certainly as love and generosity and devotion exist, and you know that they abound and give to your life its highest beauty and joy. Alas! How dreary would be the world if there were no Santa Claus. It would be as dreary as if there were no Virginias. There would be no childlike faith then, no poetry, no romance to make tolerable this existence. We should have no enjoyment except in sense and sight. The eternal light with which childhood fills the world would be extinguished.

Not believe in Santa Claus? You might as well not believe in friends! You might get your papa to hire men to watch all the chimneys on Christmas Eve to catch Santa Claus, but even if they did not see Santa Claus coming down, what would that prove? Nobody sees Santa Claus, but that is no sign that there is no Santa Claus. The most real things in the world are those that neither children nor men can see. Did you ever see fairies dancing on the lawn? Of course not, but that’s no proof that they are not there. Nobody can conceive or imagine all the wonders that are unseen and unseeable in the world.

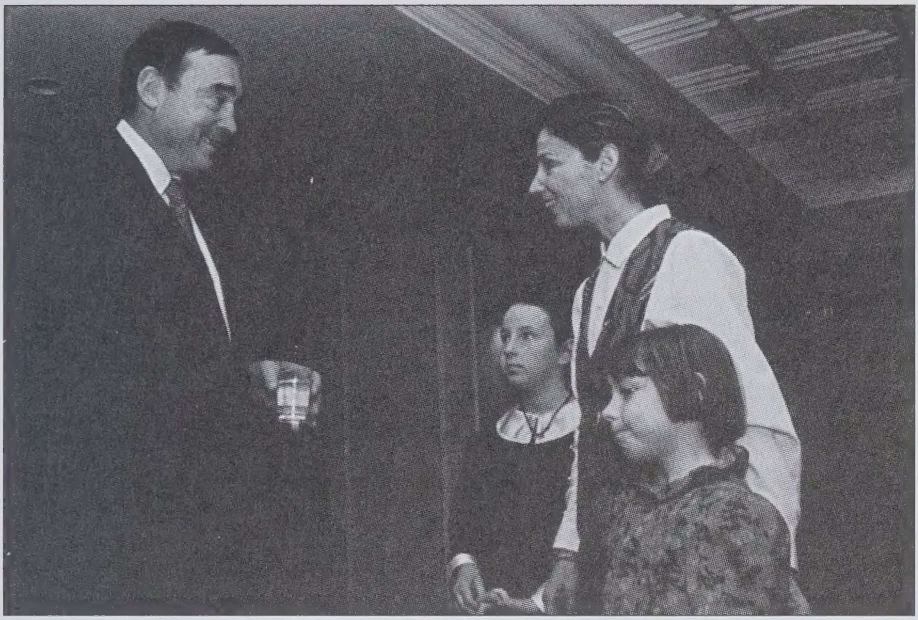
You tear apart the baby’s rattle to see what makes the noise inside, but there is a veil covering the unseen world which not the strongest man, not even the united strength of all the strongest men that ever lived, could tear apart. Only faith, poetry, love and romance can push aside that curtain and view and picture the supernatural beauty and glory beyond. Is it all real? Ah, Virginia, in all this world there is nothing else real and abiding.

No Santa Claus? Thank God, he lives and he lives forever. A thousand years from now, Virginia, nay 10 times 10,000 years from now, he will continue to make glad the heart of childhood."

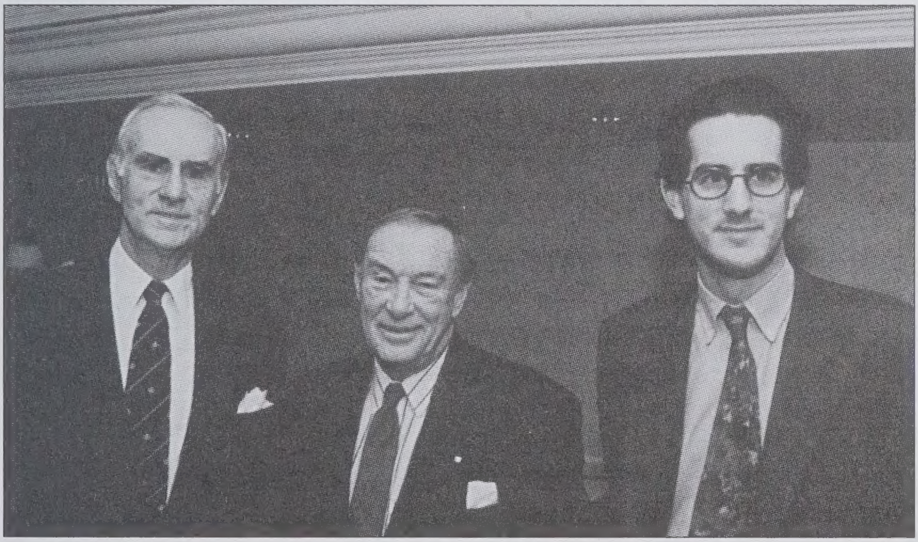
What a truly inspiring, ageless message and one that stands firm today. At this holiday season, may we all be moved by the words of Francis Church in his letter to Virginia O'Hanlon, and let the spirit of generosity towards others less fortunate shine through.

It is now my pleasure to welcome our guest choir. Formed in 1988 by the Association of Gospel Ministries they are now known as the Toronto Mass choir. The group is 45 members strong, including a five-piece band. They have performed at many church services and festivals and have appeared at Roy Thomson Hall and Massey Hall. Their choirmaster is Karen Burke, a graduate of McMaster University and the Royal Conservatory of Music and Director of Music at Banfield Memorial Church. Ladies and gentlemen, I ask you to welcome Karen Burke and the Toronto Mass Choir.

The appreciation of the meeting was expressed by Larry Stout, Broadcaster, CTV Television Network and a Director, The Empire Club of Canada.

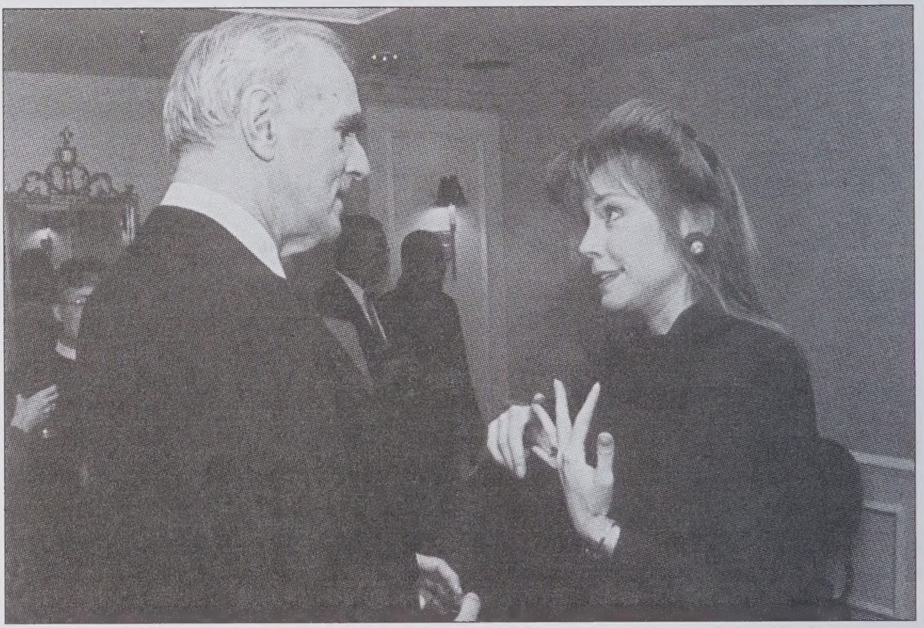


Head table guest and Hockey Hall of Famer Frank Mahovlich with Elizabeth Edmison and two young fans, Stephanie and Jocelyn Edmison.



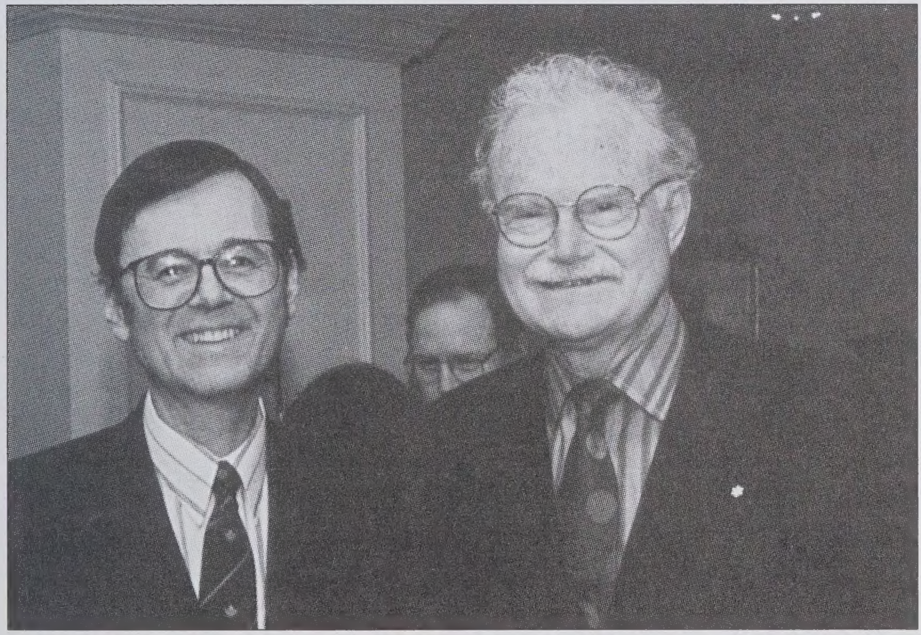
Guest of honour Lieutenant-Governor H.N.R. Jackman with head table guest, John Latimer and Duncan Jackman, Director of The Empire Club of Canada.

Empire Club Past President Nona McDonald Heaslip with Empire Club Director Larry Stout.



His Honour H.N.R. Jackman converses with Empire Club Director Anne Curran.

Empire Club Director Col. Sandy Cameron with head table guest, Col. David Rive.



Empire Club Director Ed Badovinac with head table guest David Broadfoot.

October 4, 1995

David Edmison

President, The Empire Club of Canada

PAST PRESIDENTS' DINNER

I am deeply honoured to be your president this year, and to be apprenticing to be a part of this group of distinguished past presidents. The success of this Club over its long history is due to the stewardship provided by many of you in this room. Through your example and the standards which you have set, this Club is recognised as the premier forum of record in North America. I have had no one refuse my invitation to speak so far; a testament to the prestige this Club enjoys.

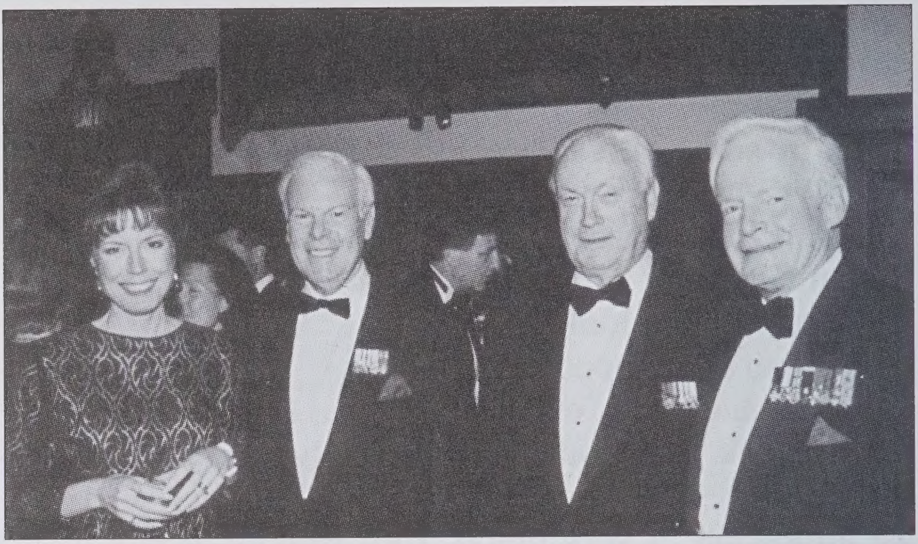
I would also like to thank the Directors of the Empire Club Foundation. The Empire Club book distinguishes us from any other organisation of its kind. Nobel laureate George Seferis wrote: "Words guard the shape of mankind, even when man has fled and is no longer there." Our year book preserves for posterity the words which document the present and illuminate the past.

Cicero wrote: "The aim of forensic oratory is to teach, to delight and to move." I am confident the speakers lined up for this fall representing business, the arts, the political and the volunteer sectors of society will fulfil this mandate. I am very excited about the programme we have in place.

I am appreciative of the initiatives currently being taken by some of our directors to expand our membership. We have a wonderful Club and with the support of you all it will continue to be a success in the future as it has in the past. Thank you all for your support and encouragement; I look forward to seeing you in the head table room at our upcoming events.

Monty and Sarah, our distinguished Co-Chairs, I would like to thank you for all the work you have done in organising this evening. You both have worked very hard and we appreciate it very much. Your Honour, it is a great privilege to have you here. We are all very proud of you as our Lieutenant-Governor and appreciate the support you have always shown this Club.

Empire Club Foundation Director Warren Goldring with Empire Club Past President, John MacNaughton.



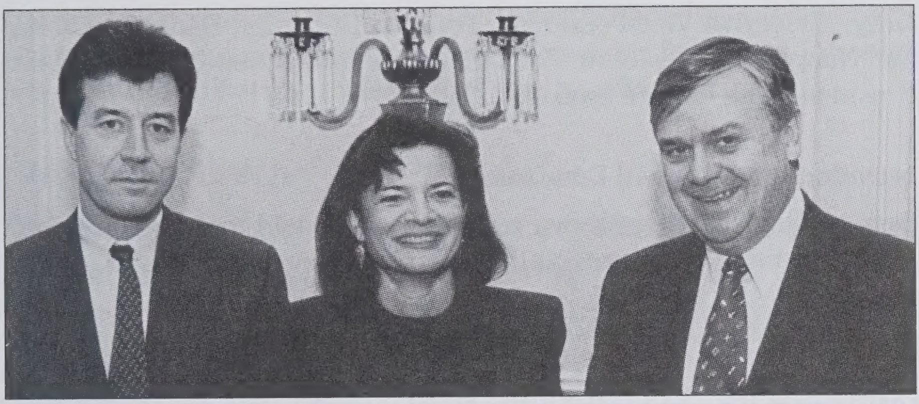
Past Presidents and Directors of The Empire Club and Foundation gather for annual dinner in the presence of His Honour H.N.R. Jackman, also a distinguished Past President of The Empire Club of Canada.

Past President, Rev. Canon Harold F Roberts with Director Sam Billick.

Tribute to John Campion, Immediate Past President of the Empire Club of Canada by David Edmison

In praising our past president
I decided to resort to verse
So be thankful, I'm not singing it
This clearly would be worse.
John, the role of Empire Club president
Is certainly not an easy one
Yet you performed it magnificently
Handling it with much aplomb.
You took up your duties of office
With lots of enthusiasm and zeal
You are to be commended
You enriched us a great deal.
Your introductions were stimulating
Embellished with historical lore
From Napoleon to King George the Third
Making us wish for more.
Your speakers were varied and topical
From Paul Martin to Terry Waite
They provided us with insights
Which no one could duplicate.
The President's job is time consuming
And requires a supportive spouse
Joanna was your greatest fan
And still managed to run the house.
It's probably by now quite obvious
Skills of Longfellow and Larkin I've none
But John, I speak for all of us
When I thank you for all you've done.

Past Presidents and Directors of The Empire Club and Foundation gather for annual dinner in the presence of His Honour H.N.R. Jackman, also a distinguished Past President of The Empire Club of Canada.



January 18, 1996

Alan Brownridge

Senior Vice-President, Investors Group

Veronika Hirsch

Vice-President, AGF Mutual Funds

Donald Reed

President, Templeton Management Limited

INVESTMENT FORUM—1996

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Liviya Mendelsohn, OAC student, Northern Secondary School; The Rev. Dr. Thomas Eng, Minister, Chinese Presbyterian Church of Toronto; Joseph Oliver, President and CEO, Investment Dealers Association; Mark Kassirer, President and CEO, Deutsche Morgan Grenfell Canada Ltd.; Rob Grundleger, Vice-President and Director, First Marathon Securities Ltd.; Jeffrey Green, President and Managing Director, Gordon Capital Corporation; Blake C. Goldring, President, AGF Mutual Funds and a Director, The Empire Club of Canada; Reay Mackay, President, RBC Dominion Securities; Tom Hockin, President and CEO, The Investment Funds Institute of Canada; Jim MacDonald, Vice Chairman, ScotiaMcLeod Inc.; Keith

Gray, Executive Vice-President, Toronto Dominion Bank; and John MacNaughton, President, Nesbitt Burns and a distinguished Past President, The Empire Club of Canada.

Introduction by David Edmison

Samuel Clemens, also known as Mark Twain, said that "January is a very bad month for speculating, just like February, March, April, May, etc."

Twain, of course, was right; speculating can be dangerous and history tells us there are few winners. In fact there used to be a theory that the "odd lotter," the small investor who purchased less than a board lot of 100 shares, usually bought at the peak of a market cycle and sold at the bottom of a cycle. Well the small investor today, has, more often than not, used mutual funds as the favoured vehicle for investing. They offer diversification, a multitude of different products to choose from, and the professional expertise that investors now realise they require.

The mutual fund industry has grown dramatically over the years and along with other institutional investors, such as pension funds, completely dominate the financial markets. The largest U.S-based mutual fund company recently advertised that they had $320 billion in assets. To put this sum in perspective, this represents three-quarters of Canada's national debt.

With us today to offer their views on the outlook for the markets for 1996 are three of Canada's leading fund managers. They will present to us, at this important time as we contemplate where to invest our RRSP funds, their views on the outlook for interest rates and bond prices and foreign and Canadian equities. For those of you who attended the forum presented by The Empire Club last year and listened to the views offered by Michael Landry, John Zechner and Warren Goldring you would have been struck by the positive tone of each of their forecasts. You also would have done well by acting on their advice.

So, let us hope this year's forecasters are as helpful in making our investment decision.

Our first guest is Veronica Hirsch. She is Vice-President and Portfolio Manager for AGF Canadian Equity and the equity portion of the AGF Growth and Income Fund. AGF, after the recent acquisition of the 20:20 Funds is the fifth-largest mutual fund in Canada with $7.6 billion in assets under administration. AGF was founded in 1957 and has enjoyed a long tradition of steady returns through both up and down cycles. Ms. Hirsch has had over 16 years of investment experience and recently joined AGF from a large insurance company where she managed a variety of top quartile Canadian funds. Ladies and gentlemen, I ask you to please welcome our first guest Veronica Hirsch, who will discuss the outlook for Canadian equities.

Veronika Hirsch

If you've been watching TV or reading the press, you might have noticed my face peering at you and my voice proclaiming that "Timing is everything." Admittedly, not a particularly original statement. As a Canadian portfolio manager, if I were ever to turn bullish on our beleaguered Canadian stock market, now is the only time I have. The 1995 Quebec referendum and the possibility of another one by late 1997 doesn't leave me with much choice in timing. Thus I am compelled to make the bold prediction that the TSE 300 Index will reach 6000 sometime this year—a 28-per-cent return from the present level. This is predicated on the hope that gold will break out of its narrow reading range and reach $492.50 before the summer is over. I must warn you that I base this prediction entirely on hope rather than any depth of knowledge, but having managed a precious metals fund in my previous life, I have taken the liberty of impersonating a bullion expert. The Canadian market, with its strong correlation with the price of gold, should thus have a good run on the back of the gold move.

Having been attracted to the Canadian gold stocks, I envision the global investor broadening his horizons by buying many other resource stocks in Canada—preferably ones I own myself. His interest in the Canadian market would indeed be warranted, as our market does have a very high exposure to industries that flourish late in the business cycle, which is precisely the stage we are now entering. Let me tell you why I think the global investor will return to Canada, having been absent from our market since after the crash of 1987. Canadian membership in NAFTA has not only resulted in a restructured, focussed, globally competitive and well-financed corporate sector, but in a substantially increased growth of the export sectors of our economy. With NAFTA, we have gained access to foreign markets.

Last, but perhaps most important, governments on both the provincial and the federal levels have finally started demonstrating fiscal responsibility by either balancing their budgets or making significant strides toward deficit reductions. These were essential moves in regaining foreign investors' confidence in Canada.

If you would indulge me for a while longer, I would like to touch on some reasons why I feel bullish on the prospects of the equity markets generally, over the longer term.

Because the excesses of the 70s and 80s have necessitated government downsizing, economic growth in OECD countries will be meagre for the balance of this century, and most likely some years beyond. This will result in a lack of opportunities for people to improve their standard of living. I can substantiate this by quoting surveys that suggest, for the first time since the Great Depression, less confidence that future generations will be as well off as the current one.

Despite this lack of confidence, there is plenty of desire for the baby-boom generation to maintain its upscale lifestyle, while at the same time facing the prospects of the longest retirement period ever. But as Maurice Chevalier said: "Old age isn't too bad when you consider the alternatives." One obvious way out of this dilemma is to substantially increase the return on one's capital. This can be accomplished by replacing the traditional investments in interest-bearing instruments for the more recently popular equity investments.

This trend is, in fact, well advanced in North America, where there has been more inflow into the stock funds in the past three years than the total inflow into this industry in the previous 60 years. According to J. Kenfield Morley, "In investing, the return you want should depend on whether you want to eat well—or sleep well." Because of the busy lifestyle we all have, we have given up sleep anyway, and we can now only hope to eat well. Thus, I foresee an unprecedented flow of savings, inheritances, and pensions into equity markets. This marked increase in stock market participation should be positive for the direction of markets over time.

In conclusion, I have to quote fellow Canadian Edgar Bronfman: "To turn $100 into $110 is work. To turn $100 million into $110 million is inevitable." My interpretation: Everyone can become wealthy provided he has enough capital invested in the stock markets. Happy investing!

Introduction by David Edmison

Our next guest is Donald F Reed. He is President and CEO of Templeton Management Limited Toronto, President and Director of Templeton Investment Counsel of Fort Lauderdale, Florida, and Chairman, Portfolio Management Committee of Templeton Worldwide Inc. Templeton was founded in 1954 by legendary investor John Templeton. The firm was acquired in 1992 by Franklin Resources, a well established U.S.-based mutual funds company. The Franklin/ Templeton Group are the largest independent publicly traded mutual fund company in the world, with assets under administration of $135 billion.

Mr. Reed is responsible for managing both global and international portfolios on behalf of Templeton Management Ltd. Prior to joining Templeton he was President and Director of Reed Monahan Nicolishen Investment Counsel. He is active in the Financial Analysts Federation and was co-founder of the International Society of Financial Analysts serving as a Director since it was founded.

Ladies and gentlemen, please welcome Donald Reed who will cover the outlook for foreign equities.

Donald Reed

Thank you for inviting me to speak today to The Empire Club regarding our thoughts on international markets. We've all heard the old adages about forecasting. First of all, forecasting is difficult especially about the future.

Secondly, a forecaster should never give a market level and a date that this will be achieved in the same sentence. Today I intend to honour this second tradition. I should further add that any of the comments that you hear today are based on the combined wisdom of the global and international research team that I have the privilege to work with at Templeton.

We have already heard a forecast on the Canadian equity market. I can see looking at the audience that our Templeton analysts have been taking copious notes based on these comments. But what about the rest of the world? Ninety seven and a half per cent of all opportunities available to an investor are outside the Canadian borders. Furthermore, many of the largest companies in the world are located outside North America—seven out of 10 of the largest automobile companies, eight out of 10 of the largest chemical companies, and 10 out of 10 of the largest banking companies.

Templeton has earned its reputation by having the ability to invest on a bottom-up basis. In other words, we're stock pickers. In 1981, a global investor could invest in only eight countries around the world. All the other markets were closed. Today, as an organisation, we are investing in over 50 countries through our various mandates in global investing, including emerging markets and global fixed income.

We do not believe that we are clever enough to invest from a top-down perspective. As a top-down investor, we would be required to correctly forecast and rank economic growth in the 50 countries in which we invest. Second, we would be required to determine the lead-lag relationship between the economy and the securities market. Third, we would then have to rank, in terms of performance, these markets so that we could correctly allocate our portfolio in percentage terms to take advantage of this performance. We do not think we are clever enough to do this nor have we ever met anyone who possesses these skills. But if you ever run into anyone, please have them give us a call because we would love to hire them.

Recognising that we are bottom-up investors, it is probably most appropriate to give you a feel for where we stood at year-end in our global portfolios to give you an idea of how we positioned ourselves.

In 1995, we reduced our exposure to the U.S. market. At year-end a typical global portfolio would have held approximately 30 per cent in the U.S. which is somewhat below the exposure contained in the MSCI World Index. In the U.S. market we have good representation in capital goods, finance and other selected equities. At the same time we began to increase our exposure to the emerging markets. The emerging markets gained their most popularity in 1993. Returns of 70, 80, and 90 per cent in mutual fund portfolios exposed solely to these markets were not unusual. But the peak did come in 1993. Since that time we have seen markets like India, Brazil, and Columbia down 30 per cent. Argentina, Indonesia, Pakistan, Portugal, and Venezuela all down 40 per cent, while Greece, Sri Lanka, and Taiwan experienced market declines of 50 per cent. At the bottom of the list are Turkey and Poland whose markets were down about 60 per cent. These markets are not for the faint of heart. With this decrease in price came an increase in interest from our portfolio managers. As an organisation, we have been adding to Mexico, Brazil, Argentina and Hong Kong to name a few.

It is not unusual for a global portfolio to contain individual securities in 30 or more countries. We believe very strongly, as stated earlier, in the diversification principle which is, as Warren Buffet said, “Diversification protects against ignorance.” Furthermore, we also believe in the principle of owning a basket of currencies. We’ve achieved this in some of our portfolios where we own as many as three dozen different currencies through investments in individual securities in various markets around the world. As it is an impossible task to forecast currency levels, this provides good protection against currency fluctuations as one currency offsets the other. In other words, what you may lose on the Deutsche Mark you'll pick up on the Peseta, maybe lose on the Pound Sterling, pick up on the Swiss Franc and lose on the French Franc.

Last year our research team visited over 50 countries and 1,000 companies. To do our job right we think this travel is a necessity so that we can better understand local customs, accounting differences, and trading differences between countries. We have adopted several principles of investing that were first espoused by our founder Sir John Templeton. The overriding factor that an investor should take to heart is that of common sense. And common sense tells us that if we look in many markets we are likely to surface more bargains than by just looking in one market. This basic principle has held true through the last 50 years.

So, where are we finding value? Small cap investments, generally speaking, on a worldwide basis have not performed well over the last several years. In 1995, we did see a pick-up in this area and we believe that going forward, small cap stocks do present interesting opportunities for capital appreciation. We have already talked about emerging markets and the fact that we have been positioning ourselves in several of the emerging markets where prices have moved lower through the last couple of years. With these lower prices has come lower risk in emerging markets. The emerging markets economies are growing at roughly twice the rate of those of the developed markets. Even if you question the economic growth in China over the last 10 years or so (it is reported to be at an 8 1/2 per cent compounded level over this period) it is still easy to realise that there is tremendous potential in that country. For example, oil consumption per capita in China is less than one barrel per year. Just across from mainland China in Taiwan that number is 11 barrels per capita, and in Korea it is 13 barrels. Now I'm not saying that Chinese consumption will reach 11 barrels per capita per year in the foreseeable future but let's assume the consumption of oil in China were to rise to two or even three barrels per capita. Try to visualise what an additional 1.2 billion barrels per year or 2.4 billion barrels per year of consumption would do to OPEC and to oil prices on a worldwide basis. It's mind boggling.

When we look at the consumption of chicken in China, the average consumption is about one chicken per year. Contrast that with over 20 chickens per year in Hong Kong, 30 chickens per year in Singapore, and 39 chickens per year in the U.S. and think of the possibilities of growth in that industry. As a matter of fact there is stock that we've owned in the past, a Hong Kong company called CP Poxphand that we've been a great participant in at Templeton through the years. The products for this company were three—chickens, chicken feed and motorcycles. I don't know where the motorcycles came in but that was the actual product mix of the company.

Television is going through a growth phase in China right now. There are more televisions in China than there are in the U.S. There are fewer telephones, so there's growth potential there. But think about the television side of it for a minute and how that should be promoting the consumer products that we enjoy here in North America.

My colleague Mark Mobius in our emerging markets areas likes to tell the story about a family he met in China who was watching the television show, "Dynasty." The lady said to her husband "Why can I not have a Frigidaire like the one shown on 'Dynasty,' or why can I not have some of the other consumer products?" We think that China represents an outstanding opportunity for us, and not only China itself but also the regions that surround China. Needless to say we are bullish on the potential for

China, Hong Kong and all of the outlying countries in the Far East.

While we are bottom-up investors at Templeton, common sense will dictate that you are likely to find more bargains in cheaper markets than in expensive markets. One look at our portfolios will show you that our exposure in countries such as Spain, Sweden, the Netherlands, and New Zealand is far above the level that is dictated by the index. The reason? All of these markets are trading below 13 times earnings while the World markets carry a hefty multiple in excess of 21 times earnings and the EAFE Index above 26 times earnings. The other fundamental valuations used by analysts such as P/B and P/CE are, for the most part, less than those of the index while the yield in some cases is well in excess of the index. So there's an indication of where we, as an organisation, are finding value but you should realise that we are long-term investors and are looking out five years in our analysis.

Some of the markets where we are finding it difficult to find value include the heavyweights such as the U.S. and Japan. I have already spoken about the U.S. and the fact that a value investor often will not show heavy exposure to the high-tech area. Our exposure is currently 30 per cent. Japan presents an additional difficulty. As probably the first investor in the Japanese market several decades ago, Templeton was able to buy securities at three times earnings in an environment where the market was trading at four times earnings. At year-end, the Morgan Stanley Japanese Index was trading at 105 times earnings. Indeed. A multiple of 105 indicates that it will take 105 years of earnings at current levels to realise the price of the index. Now let's be fair. That assumes no growth in earnings over this period. But even if we should determine that earnings will grow twice as fast it still indicates recapturing the price of the index in about 50 years. Contrast that with the Netherlands trading at under 13 times earnings then you soon realise that the earnings will recapture the price of the index in just 13 years. As value investors we have a lot of difficulty finding individual situations in Japan but we have been able to find a modest number of situations that represent value and should a correction occur on that market, more value will emerge.

In the final analysis, as a firm looking forward, we are bullish on the international markets. As analysts and portfolio managers we travel a lot visiting companies in many exotic locations around the world. I recall mentioning to Sir John that the international markets are so exciting that I'd almost be willing to do this job for free. As his eyes opened wider, and for those of you who know the thriftiness of Sir John, I had to repeat the most meaningful word in that statement, "Almost."

Thank you for taking the time to listen to me today.

Introduction by David Edmison

Our final guest speaker is Alan Brownridge. Mr. Brownridge is Senior Vice-President of I. G. Management Ltd. I. G. Management is the wholly owned subsidiary of Investors Group, Canada's largest mutual fund company, with assets under administration of $18 billion. Mr. Brownridge is responsible for overall development and co-ordination of strategies and policies pertaining to the management of over $3 billion of fixed-income assets managed by I. G. Investment Management. Our guest has a C.G.A. in addition to his C.F.A. and has authored several articles on investment management. Ladies and gentlemen, I ask you to please welcome our final speaker, Allan Brownridge, who will discuss interest rates and the prospects for the bond market.

Allan Brownridge

Bond investments, after selling off dramatically in 1994, posted one of the best years on record in 1995. In local currency terms, government bond returns within the G-7 countries varied from 17 to 32 per cent. If one factored in the currency gains and losses, the returns varied between 12–43 per cent. The Canadian bond market held its own, putting in its third-best year ever—despite concerns earlier in the year by foreign investors over Canada's large accumulation of public sector debt and later in the year the referendum in Quebec.

Well, that was 1995. What happens in 1996?

After such spectacular bond returns last year, it would be very easy to suggest that 1996 will turn out to be a replay of 1994. After all, interest rates declined sharply in 1993, only to reverse direction in 1994 after the American central bank, the Federal Reserve, began to raise interest rates in February of that year. From a bond investor's perspective, the biggest difference between the start of 1994 and 1996 is that the Federal Reserve is not about to raise interest rates. We think the opposite will occur. We expect a continued easing of monetary policy in the U.S. that will result in short-term rates moving lower by one-half of one per cent to one per cent. If you are a bond investor that is not bad news. Bond investments rarely do badly when monetary policy is easing. Conversely, when policy turns restrictive and short-term rates are rising, it usually is not too late to reduce one's exposure to bonds. Because of the high correlation of Canadian interest rates to those in the U.S., Canadian investors are required to pay as much attention to what the Federal Reserve is up to as to what the Bank of Canada is doing.

In our view, we think there is a strong case for both central banks to continue lowering administered rates. While Canada's weak domestic economy badly needs lower interest rates, we also think that economic growth in the United States this year will prove to be disappointing. Let me propose a number of points to illustrate our concerns about the risk of slower growth this year.

1. The U.S. economic expansion is moving into its sixth year this spring. The post-war average has been just over four years. The odds favour a slowing of economic activity in 1996 if for no other reason than the age of the current expansion.

2. While levels of consumer debt are at record levels in Canada, they are also dangerously high in the United States. Consumer instalment debt has increased by over 30 per cent during the past two years. Delinquency rates on bank credit are at recession levels and the percentage of disposable income American households are devoting to debt service payments is now roughly 17 per cent—a level which, although below the peaks of the last recession, is still historically very high.

   Some economists have argued that today's high debt levels are manageable because the net worth off individual Americans has increased due to the rise in financial asset prices in recent years. Last year alone, financial asset prices in the U.S. increased by $2 trillion. This more optimistic outlook may be correct, but in our view a disproportionate amount of these gains have accrued to the very wealthy and largely older Americans, both groups typically not highly indebted. As far as being able to spend some of the income from these gains, most of the interest and dividend payments are not in spendable form but locked in tax-sheltered investments—only 20 per cent of U.S. households actually receive spendable dividends.
3. Fiscal policy will continue to act as a minor drag on economic growth in 1996.
4. Monetary policy in the U.S. cannot be described as easy. Today's Federal Funds rate of 5.5 per cent relative to an inflation rate of under three per cent is by historical measures still slightly restrictive. Relative to an inflation rate below three per cent, the prime lending rate at 8.5 per cent strikes us as being quite expensive.

It is interesting to note that 1996 is also a presidential election year. Business downturns haven't normally occurred during election years perhaps because the central bank has erred on the side of not hesitating to cut rates. Perhaps we should be more concerned about 1997 because six of the nine post-war recessions have occurred the year following the presidential election.

What are the implications of this scenario for bond investments? As I suggested to you earlier, as long as monetary policy is easing, a significant rise in bond yields is unlikely. If there is a minor problem for bonds, particularly U.S. bonds, it is that the market has already discounted additional easing measures by the Federal Reserve. Based on current yield levels, another one percentage point cut in short-term rates has already been anticipated. Our guess is that bond yields this year will neither rise nor fall dramatically. The benchmark 30-year government bond in the U.S. could fall as low as 5.75 per cent but not exceed 6.50 per cent.

We are a little more optimistic about the Canadian bond market. Government of Canada bonds, in our view, represent better value than their U.S. counterparts. Nominal yields on 10-year and longer government of Canada bonds yield an extra percentage point and a half over their U.S. counterparts while inflation in Canada this year is set to drop below the U.S. inflation rate for the seventh straight year. Fiscal restraint continues to be the order of the day for government across Canada, and were it not for the political uncertainty surrounding Quebec's future in Canada long-term yields would be much lower.

There is a possibility that the issue of Quebec's independence will take a respite this year but reappear in 1997 when the Canadian Constitution is scheduled for review. If this is the case, we think the Canadian bond market will outperform the U.S. We are forecasting Canadian bond returns this year of between six and eight per cent which compared to an inflation rate below three per cent and money-market yields below six per cent is still a competitive return.

Outside North America, there is more latitude for bond yields to fall in Europe. Compared to the U.S. market, yield curves are steeper, real returns generally higher and the fiscal tightening measures required by most European countries to meet the fiscal requirements of monetary union in 1999 suggest that monetary policy can ease further. The possibility of lower interest rates in Europe is also enhanced by the likelihood the German economy, Europe's largest, still requires lower interest rates. There's a good chance the German economy contracted slightly in the final quarter of 1995, and will be hard pressed in 1996 to exceed the last year's growth rate of 1.9 per cent. We expect 10-year German government bonds presently yielding a bit more than U.S. treasuries will drop in yield below their U.S. counterparts before the year is out.

While we think Europe's markets will be the best-performing markets among the industrialised countries, Japan's bond market likely will be the worst. Nominal yields on 10-year Japanese government bonds are only three per cent, monetary policy is extremely easy and fiscal policy is loose. This accommodative policy mix has become an absolute necessity in order to both devalue the overpriced yen and provide the necessary liquidity to a stressed banking system. While this is a sensible policy response to the deflationary problems Japan's economy is now experiencing, it is not a response that ultimately results in lower bond yields.

Let me summarise our interest rate view:

1. Short-term rates are heading lower throughout the industrialised countries during the first half of 1996.
2. The outlook for North American bond investments is still generally positive. We still see a continuation of the strong deflationary pressures that have hampered the global economy in the 1990s extending into 1996.
3. If politics take a breather, we expect Canadian bonds to outperform their U.S. counterparts.

4. The best-performing bond markets this year are likely in Europe, the worst, Japan.

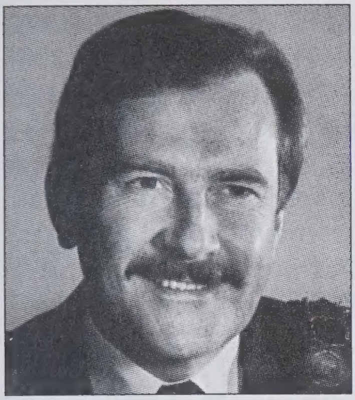
For those investors who do venture into European markets this year, we think that while you may gain on your choice of market, you may lose on the currency. We are part of a chorus of forecasters who expect the U.S. dollar to appreciate moderately this year. We think the tide is slowly turning for the American dollar. While the current account deficit remains large and the savings rate too low, other comparisons such as competitive labour costs, labour flexibility, strong corporate balance sheets and a contractionary fiscal policy support a slow and irregular appreciation of the dollar.

In the case of the Canadian/U.S. dollar relationship, it would be very easy to embrace the bullish case for the Canadian dollar. The fundamentals look pretty good: inflation remains low, labour costs are competitive, the trade surplus has more than doubled over the past three years, the current account deficit is at a 10-year low and all levels of government are reducing spending. Our enthusiasm for the dollar is tempered by two factors: the first is that the Bank of Canada has used every opportunity to push short-term interest rates lower because of the weakness of our domestic economy. The interest rate differential between Canadian and U.S. rates is now quite narrow. We think the Bank will continue to pursue this policy—effectively trading dollar strength for lower rates. Second, Canada's political uncertainty also puts a ceiling on how high our dollar can move. We think the dollar will trade between 71 cents U.S. and 74 cents U.S. during 1996.

That concludes our forecast of where we see the major interest rate and currency markets heading in 1996. It has been a pleasure sharing it with you.

Thank you.

The appreciation of the meeting was expressed by Blake C. Goldring, President, AGF Mutual Funds and a Director, The Empire Club of Canada.



January 25, 1996

Alan Tonks

Chairman, Metropolitan Toronto Council

THE FUTURE OF THE GREATER TORONTO AREA

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Tom Wells, former Minister of Municipal Affairs, President, T.L.W. Consulting and a Director, The Empire Club of Canada; Carl Fox, Sutton Group Fox Realty Inc. and Immediate Past President, The Toronto Real Estate Board; Ryan Starr, senior student, North Toronto Collegiate Institute; The Rev. Kim Beard, Rector, St. Bede and St. Chrispin Anglican Churches; Rita Burak, Secretary of the Cabinet, Government of Ontario; Hartley Stewart, Publisher and CEO, The Toronto Sun; Allan Lamport, former Mayor of Toronto; Dr. Gordon Chong, Metro Councillor and a Director, The Empire Club of Canada; Ann Vanstone, School Trustee and Chair, Metro Toronto School Board; Dr. Joseph Wong, Member, GTA Task Force; John Honderich, Publisher, The Toronto Star; and Murray Beynon, Partner, Brisbane, Brook & Beynon, Architects and President, Board of Trade of Metropolitan Toronto.

Introduction by David Edmison

In 1834, York became Toronto and our fine city was officially born. We've had some colourful mayors over the years but arguably few could compare with our first—William Lyon MacKenzie. He was indeed one of the most controversial figures in our political past. Although adored by many as a hero who fought for freedom and independence, historians have often characterised him as somewhat adverse to change. Well change is something that Toronto has seen a great deal of over the past century and a half. Who would have known then that our city would expand as it has? In MacKenzie's time, the words York, Durham, Peel and Halton would have sounded more like a law firm than municipalities destined to be home to several million people in the 1990s.

Today, one can really demonstrate a grasp of our current urban affairs by using the expression GTA in a sentence. The Greater Metropolitan Area has been in the news a great deal lately as we wrestle with our future as a major world city.

Recently, Anne Golden, Chairperson of the Greater Toronto Area Task Force recommended the formal replacement of the Metro, York, Durham, Peel and Halton governments with one strong GTA-governing body. Debate on this controversial issue remains heated and polarised. There are many questions ranging from tax assessment, public transit, and the role of the provincial government to urban planning, political representation and the provision of basic utilities like water and hydro.

As this story develops, the only thing that's undeniably clear is that whatever happens, we'll all be affected one way or another. And while we all should have an opinion on the future of our city, in reality, it's difficult to come to an informed position on the subject without an understanding of the relevant issues. Well our special guest today is as close to this emerging story as anyone in the city, or should I say GTA.

Addressing us today is Metro Chairman, Alan Tonks. He's been actively involved in municipal government for over 20 years including eight in his current role. Few public figures in our city have the diversity of experience and insight of Mr. Tonks. To use an urban expression, he's been around the block and knows the city and issues inside out. Over the last 20 years he's been York's Controller, Budget Chief, Deputy Mayor and Mayor, Commissioner of the TTC, a Director of the TTC, a Director of GO Transit, a member of the Police Services Board and a Metro Councillor, just to name a few important posts.

Mr. Tonks earned undergraduate degrees from York University and Waterloo Lutheran University and a Master's from York and University of Toronto.

Many feel that, as a city, we're at a crossroads. The future of the GTA is uncertain. If someone can unravel the myriad of issues raised in the Golden Report and help us to understand what might lie ahead for us, it is our special guest today. I know we'll all gain a great deal from our own GTA, in this case, Great Tonks Address. Ladies and gentlemen, please help me welcome Metro Chairman, Alan Tonks.

Alan Tonks

Thank you David, and good afternoon ladies and gentlemen.

I wonder, when was the last time you snuggled up with your little son or daughter or grandchild and read them their favourite bed-time story? I had this experience a few weeks ago. And guess what? Just by chance, the Dr. Seuss story my daughter Alison chose bore a remarkable resemblance to the situation I have been consumed with as a result of the GTA Task Force report.

It goes like this. Two Zax are walking, in opposite directions, across the prairie of Prax. One is heading north, the other south. They bump into each other. There they stand "foot to foot, face to face," each accusing the other of blocking his path, and each strenuously objecting to the idea of stepping aside to let the other pass. As Dr. Seuss puts it:

"Look here now!" the North-Going Zax said. "I say! You are blocking my path. You are right in my way. I'm a North-Going Zax and I always go north. Get out of my way, now, and let me go forth!" "Who's in whose way?" snapped the South-Going Zax. "I always go south, making south-going tracks. So you're in MY way! And I ask you to move and let me go south in my south-going groove." One of them tells the other: "I never take a stop to one side. And I'll prove to you that I won't change my ways if I have to keep standing here fifty-nine days." The other Zax, of course, ups the ante and says he'll not budge for fifty-nine years. And so it goes. Eventually, the South-Going Zax sums up the attitude of both by declaring: "I live by a rule that I learned as a boy back in South-Going school. Never budge! That's my rule. Never budge in the least! Not an inch to the west! Not an inch to the east! I'll stay here, not budging! I can and I will if it makes you and me and the whole world stand still!" So, how does Dr. Seuss wrap things up? As follows: "Well... of course the world didn't stand still. The world grew. In a couple of years, the new highway came through and they built right over those two stubborn Zax, left them there, standing un-budged in their tracks."

Ladies and gentlemen, the story of the Zax is fun. It's entertaining. And there's a great deal that we can learn from it.

The story is about resistance to change and the tension between stability and change. It's about the need for stability in the face of inevitable and unremitting change. It can serve as a parable for all of us who have a stake in the future of Greater Toronto.

The future of Greater Toronto was the focus of the GTA Task Force which issued its final report on January 16. The report deals with many complex and important issues: economic competitiveness, assessment and property taxation, municipal finance, municipal services and service delivery models and, of course, municipal governance. The report's analysis of the issues—its diagnosis of the problems confronting the city region—is written in a fairly pure and, I believe, objective way. After all, the role of the Task Force was to document and put into a coherent argument what others have been saying for years. In stark contrast, the Task Force approached the development of its 51 recommendations in a highly political manner. The recommendations are transparent in their search for compromises and in their anticipation of what different stakeholders may be prepared to live with. I mention this not to criticise the Task Force's approach. It was, after all, a very pragmatic approach. Rather, I mention it because I think it illustrates that the real challenge—a challenge that Anne Golden and her Task

Force recognised from the start—is to find a way to reconcile the competing forces of change and stability.

If we get the relationship right between change and stability—if we make change and stability complementary forces—we can flourish as a city region. If we get it wrong, we end up like the two Zax, head to head, toe to toe, bickering our lives away while the real world rolls right over us.

In so many ways, our Greater Toronto region epitomises change. This area has experienced massive, rapid and continuous population growth throughout the postwar period. We've gone from more than a million people after the war to over four million today. And we'll grow by a further two million in the next 25 years. All these people need places to live, work and go to school. They need places for entertainment and recreation. They need water, sewers, waste disposal, roads, transit, police and community services. These activities consume land, so our physical environment has been subjected to continuous and demanding change. And it will continue to be so.

The make-up of our population has changed, too. Our population is aging and it has become one of the most cosmopolitan in the world. As we approach the third millennium, our social stability, our quality of life, our economic competitiveness all depend on how we manage change. Getting the relationship between change and stability right will determine how close we get to the GTA Task Force's vision of being the city region where people and businesses that could be anywhere in the world want to be.

Over the past few decades we have got the relationship right and this region has thrived. We got it right with our two-tier model of metropolitan and local area municipal government. Think about it. In 1953, Leslie Frost's Conservative government passed legislation to create the Municipality of Metropolitan Toronto.

Metro was born into a rapidly changing environment and its mandate was to manage and accommodate change. It was empowered to plan and build infrastructure for the entire city region. It pooled resources by levying a charge on the local municipalities in proportion to their share of the region's assessment base. This ensured that no part of the city region was deprived of essential basic infrastructure and services because it happened to have a relatively poor assessment base. It worked. We lived, worked and played in a well-managed urban area with seamless services. As the Metro area matured, the Metro model adapted to new needs and demands, particularly the social infrastructure of community social services, policing, ambulance and public transit. We had an effective mechanism to anticipate change, and manage it in an orderly and remarkably undisruptive manner. This maintained social stability in our region. It set us apart from so many American cities, catapulted us onto the world stage and gave us a competitive edge in the global economy. The Boston Consulting Group's study for the GTA Task Force confirmed that the Toronto area is attractive because of its quality of life and social stability. This is a safe place in the league of big cities. We have managed to draw strength from the diversity of our population rather than let it tear us apart.

Metro managed to protect and nurture one of the most vibrant central cities in North America. Just compare what has happened to the City of Toronto with what has happened to its American central city counterparts over the past 40 years. Was it luck? No it wasn't! Metro made it happen!

The local area municipalities are the other part of our two-tier system of municipal government. Whereas the regional level is geared to managing change, the local municipalities are, necessarily, inward-looking and more focussed on stability. They are intent on preserving the status quo. The strength of the local municipalities is in confirming and trying to protect the good things that already exist. It is an essentially “small c” conservative orientation. This inward focus, this conservatism of the local area municipalities counterbalances the outward, change of the regional level—keeps it honest, if you will. The dynamic orientation of the regional level and the status quo orientation of the local level are necessarily going to be in tension with each other. And that is not a bad thing. I am convinced that this tension is one of the great strengths of our two-tier system because it provides balance.

However, the natural conservatism of the local cities can easily be used as a shield against change—a means of pretending that each local municipality has firm borders. But in reality, as the Task Force confirms, people in the GTA are mobile. The borders are imaginary. Walled communities illustrate the thinking that one can put up curtains to keep out change. But change is the real world.

You can't keep it out. Without a region-wide perspective that acknowledges, manages and adapts to change—without this counterbalance—change creeps up on us and suddenly and unexpectedly tears our curtains aside.

The bottom line is that, for much of the post-war period, we got it right. All those things that needed a regional perspective to get done, got done. All those things that benefitted from a more local community perspective, and could vary according to the preferences of specific communities without harming others, also got done. We got the job done together. We got the job done because the responsibilities of the regional and local levels of government clearly demarcated. And because both levels were reasonably strong.

The essential ingredient in the successful two-tier system has been that each level has had the capacity to fulfil its mandated responsibilities. This has been part of the balance—part of getting it right. And, ladies and gentlemen, we must consider carefully what the GTA Task Force recommendations do to this balance of power between the region as a whole and the various parts of it. I cannot stress strongly enough that, if we diminish our capacity to think, act and invest as a city region, 30 sets of curtains will come swishing closed in a flurry of Zax-like activity and we will not get the job done.

I said that, for much of the post-war period, we have got it right in the Toronto area. Recently, however, our municipal institutions have been under strain.

First, our assessment system is antiquated and unfair. Property assessments across Greater Toronto, from one municipality to the next, even within the same municipality, are based on different years and different methods. The same type of buildings, being used for the same purposes, are assessed at different values even when they may be across the street from one another.

The assessment system must be overhauled. Properties across the city region must be assessed fairly and consistently and by a method that everyone understands.

In fact, if we don't fix finance there's no point in talking about government because we will not be able to afford services like policing, community services and education—services that make our community livable and internationally competitive.

Secondly, there are the "legislative barriers." In a nutshell, for reasons that are no longer valid, the province over-regulates municipalities. This limits municipalities' flexibility and responsiveness to a fast-changing environment. The Association of Municipalities of Ontario has called for a new, simpler and more stable provincial relationship—one that gives municipalities more autonomy within broad provincial guidelines.

We know that legislative reform is coming. But we know, too, that greater autonomy is accompanied by massive cuts to transfer payments. More than ever we must ensure, then, that we don't lose our ability to make decisions and have one voice that speaks for the region to ensure we have equity and livability in our community. We cannot afford to lose the strong structural foundation that we spent the past 40 years building. And that brings me to the third area of strain.

Simply put, the Toronto region has outgrown Metro's statutory boundaries of January 1, 1954. Today, our regional level responsibilities are fragmented among five separate and often competing regional governments, not to mention various provincial ministries and special-purpose bodies. This is inefficient, prevents accountability and carves up services that should be seamless. And it's unfair because it leaves some parts of the region paying the bill for infrastructure and services that benefit the entire region. The two-tier system must be modernised.

These strains raise questions about our ability to create and renew the infrastructure that we require to compete as a city region.

We must not lose the competitive advantage that our envied quality of life bestows on us. We must remain nimble, flexible and prepared to compete as a region. Because, as you all know, with increasingly barrier-free international trade, and increasingly mobile trans-national corporations, city regions are, more and more, the locus and generators of global economic activity.

The importance of city regions in the emerging world order cannot be underestimated. China, for example, plans to create 50 new cities of five million people each in the next 10 years. Our opportunities as a region and as a province are going to rise or fall to the extent that Greater Toronto can compete as a city region.

All of this brings me back to the GTA Task Force report. To say that the report and its subject matter are timely would be a huge understatement. We should all welcome this report for placing the issues out in the open for public debate. Furthermore, the interest and momentum toward reform that the report has stimulated can serve as a launch pad for action. But we should not be lulled into accepting the wisdom of every recommendation as written. I'm sure that Joseph Wong would be the first to agree that the Task Force lacked the time to analyze all the issues thoroughly. We need a vigorous and informed public debate about the Task Force's proposals. I am pleased that Minister Leach announced last week that there will be an opportunity for public input before the government responds to the report. At this point, I would like to make a few observations on its recommendations.

Right off the bat, there are two ideas that I think should be supported. The first is the concept of a single Greater Toronto regional council. This reinforces the recognition that we are a single, unified city region and ends the five-way split that now exists.

The second is the package of financial reforms that will work in tandem with the organisational change. Here the Task Force has recommended GTA-wide pooling of commercial and industrial assessment for education, the removal of welfare from the property tax base, and an actual value assessment system.

These two proposals—a single region and financial reform—are fundamental to the future of the present Metropolitan Toronto and the entire Greater Toronto region. But it is not a foregone conclusion that they will be acted upon. I remind you that, a few months ago, when Metro proposed the single region concept to the Task Force, we were told that it was too bold. But, after intense investigation, the Task Force reached the inescapable conclusion that it was the only way to go. Also bear in mind the rocky and unfruitful journey of previous attempts at assessment reform and provincial-municipal disentanglement.

I can hear the Zax girding for battle as I speak to you. But we should not be deterred. If we are serious about responding to the challenges of the global economy, if we are serious about sustainable growth and about nurturing the quality of life for ourselves and future generations in this region, then the GTA Task Force report is a good place to start. This does not mean and, in fact, must not mean that we abandon our first principles. We need benchmarks to measure the Task Force's recommendations. We must take care to ensure that the recommendations do not reinforce the trends that threaten to prevent us from being the place of choice for people and businesses.

Anne Golden offered some benchmarks herself at the Task Force's press conference last week. She said that the critical issues that the Task Force tried to address are:

a) duplication;
b) the complexity of government in the GTA; and
c) how to use scarce resources efficiently.

Well, a single region in place of Metro, Halton, Peel, York and Durham regions ends duplication at that level. On the other hand, remember that community services like welfare, day care, hostels and homes for the aged are currently regional level responsibilities. So, pushing these down to the local area municipalities, as the Task Force proposes, increases duplication to my mind. It means replacing five community services operations with 30 operations. Thirty new administrations. Today, Metro runs a single ambulance service for the whole of Metropolitan Toronto. The Task Force proposes replacing this single Metro ambulance service with six new administrations. This increases duplication to my mind.

Recently, the Metro government hired the firm of Ernst & Young to compare the costs of delivering a small sample of services at the Metro level versus local municipal levels. This study found that, even using the most conservative and cautious assumptions, devolution of ambulance and community services to the cities will add $40 million to the cost in Metro alone. That's $40 million each and every year. A billion dollars in additional cost over the next 25 years in Metro alone. And that's just ambulance and community services.

We need to examine these sorts of cost implications as we assess the details of the Task Force report. We need to make more efficient use of scarce resources. The GTA Task Force report comes into greatest conflict with its own objective of making government more simple. This, of course, has implications for accountability—a cornerstone of our democratic tradition.

In proposing a confusing and complicated array of overlapping "service districts" the report sets up a rigid, inflexible, confusing and, ultimately, unaccountable bureaucratic nightmare. Service districts are proposed for just about every regional responsibility—water, transportation, waste, etc. These service districts cover different geographic areas depending on the service. They would be overseen by special purpose boards appointed by various combinations of municipalities. They would presumably be answerable to all of their appointers and have to have their budgets approved by their service board, their local government and the regional council, which would also set broad policy.

Ladies and gentlemen, this is not simple. This is not accountable. The buck would soon be red hot from being passed around so much. Instead of simplifying government and making gains by folding five regional government into one Greater Toronto Council, and leaving it at that, we would be dragged backwards by the creation of potentially 150 or 160 fragmented and ponderous quasi-governments. And make no mistake, that's what service districts will become.

I am also concerned by the proposed composition of the Greater Toronto Council. The Task Force recommended that it be made up essentially of mayors from some but not all of the local area municipalities, and that the real power be concentrated in the hands of a regional chairman, appointed by the province, and five or six mayors. First of all, this approach fails to meet elementary principles of democracy, for it leaves many residents of the GTA unrepresented at the regional level. What the Task Force has proposed for the regional council amounts to no more than a sub-committee of GTA mayors. This is really a committee of Zaxs accountable to individual local councils with no overall sense of regional purpose. The mayors, as I've pointed out, do not approach things from a region-wide perspective. They are—indeed should be—champions of their local municipalities. So, my second concern with a council dominated by mayors is that it may not have the ability to make the tough regional interest decisions and set region-wide priorities. If the regional level is weakened to the point that it cannot be effective in setting the regional course and carrying out its mandated responsibilities, the Task Force's vision will not and cannot be achieved. I mean, do we really want 30 Zaxs making regional decisions?

If we weaken the regional level in our two-tier system, we will upset the balance between meeting change and preserving what we already have—the very balance that has allowed us to get the job done for so many years. Any new Greater Toronto Council and the councillors who sit on it must have their own constituency and clearly defined and mandated responsibilities. Democratic accountability must guide the regional council as it engages the issues with input from an involved and informed citizenry.

There can be no shying away from this principle of democratic accountability. Regional government in Metropolitan Toronto began in 1954 with an appointed chair and a group of mayors. It evolved, through representation by population, to direct representation. There can be no turning back from the evolution of democratic government in this region.

So, in my mind, there is no option but to proceed with reform. It is essential and I think that the GTA Task Force members would agree. You and everyone else in the GTA will be getting some very mixed messages over the next few months, and they will be hard to decipher. Everyone will be coming forward with their own spin on the Task Force recommendations. Don't let them fool you! What you are going to hear when you cut through the rhetoric is that they don't want change. The four mayors' proposal on Tuesday was exactly that.

If we get too caught up in the detail of the competing proposals, we could end up thinking this is a very complex matter. It isn't. I don't agree with many of the Task Force's recommendations because I think they tried too hard to satisfy all those mayors out there—they lost sight of what we really need for the region. In my mind, it's pretty simple:

- Yes, we are a single, integrated economic and social entity and that means we need a boundary change to reflect that.
- We need a real regional government that can actually make real decisions and set regional priorities.
- Sound cost-benefit analysis and common sense should make it obvious which services are regional and which aren't.
- The regional government needs a revenue source to do its job.
- The regional government must be directly accountable to you, the citizens of the region.

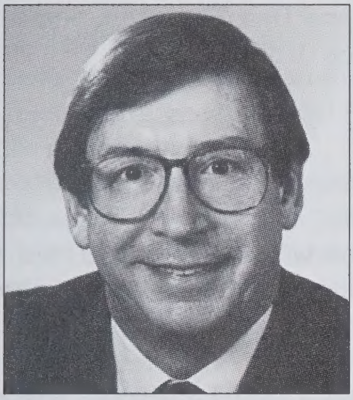
I know of what I speak. I've been the Mayor of York. I've been an indirectly appointed councillor representing the City of York on Metro Council. And since 1988, I've been Chairman of a directly elected Metro Council. In my experience, you as business people would be better served by a directly elected regional voice. It's important to your future as business people. It's important to our families and to our children who want to live in a decent community. I simply don't buy this business of 30 mayors saying that bringing our regional boundaries and finance systems up to date is so hard to accomplish. You know, sometimes I imagine Leslie Frost sitting with the 13 Zaxs of his day and saying to himself, "How am I ever going to get these people out of their grooves?" Well, ladies and gentlemen, he did get them out of their grooves in 1953. And we can do it again today!

Thank you very much.

The appreciation of the meeting was expressed by Dr. Gordon Chong, Metro Councillor and a Director, The Empire Club of Canada.

Dr. Joseph Wong, member of the Greater Toronto Area Task Force, with Metro Chairman Alan Tonks.

Toronto Star publisher, John Honderich with former Mayor, Allan Lamport.



February 1, 1996

George D. Anderson

President and CEO, Insurance Bureau of Canada

A PROPERTY/CASUALTY INSURANCE PERSPECTIVE ON FINANCIAL REFORM

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Bill Whittaker, Partner, Lette Whittaker and an Honorary Director, The Empire Club of Canada; Peter Salloum, Regional Manager, Pension and Savings, Sun Life of Canada; Carlos Ferreira, grade 12 student, Parkdale Collegiate Institute; The Rev. Canon Harold Roberts, Rector, St. Timothy's Church, Agincourt and a Past President, The Empire Club of Canada; Lillian Morgenthau, President, Canadian Association of Retired Persons; Marty McConnell, Past President, Life Underwriters Association and Partner, Creaghan, McConnell Group; Mark Daniels, President, Canadian Life and Health Association; Margaret Scrivener, former member of the provincial Parliament for the riding of St. David, member of the firm Martin & Meredith Limited Real Estate and an Honorary Director, The Empire Club of Canada; Ronald Goodall, Partner, Goodall & Peacock and a Past President, The Empire Club of Canada; George Cooke, President, Dominion of Canada General Insurance; Joanne Brown, Executive Director, Insurance Brokers Association of Canada; Bob Gunn, Chairman, Insurance Bureau of

Canada and President, Royal Insurance; and Dan Thornton, Senior Vice-President, The Co-Operators Insurance Group.

Introduction by David Edmison

Baseball fans know that baseball players must be alert and focussed to win games. Errors can be very costly. The result of a game, however, can be determined by decisions which have little to do with the players or their abilities. The arbitrary decisions of the umpire can determine who is a winner and who is a loser. There is an old story about three umpires asked what they do for a living. The first said: "There are balls and strikes and I calls em." The second umpire gave it a little more thought and said: "There are balls and there are strikes and I calls em as I sees em." The third umpire, after considerable thought said: "There are balls and there are strikes, and they ain't nothin, until I calls em as I sees em."

The financial industry, like baseball, requires an umpire or regulator to determine what's fair and what's unfair. Currently there is considerable debate among the players in the industry, as to what is the appropriate "strike zone." Soon a white paper will be released by the federal government and new banking and insurance legislation is expected to be passed no later than March 31, 1997.

The banks were allowed to enter the insurance business, with certain restrictions, in 1992 through changes introduced to the Bank Act. They want to expand their presence by selling insurance directly through their branch networks and they maintain that more competition means greater savings to consumers.

The insurance industry is yelling "foul," feeling that handing over more power in this area to the big six banks will not necessarily "even the playing field," and could in fact reduce competition. No matter what the outcome, industry observers agree that the concept of "direct" insurance will not go away and point to recent successes in other countries.

With us today to discuss the implications of changes in the regulatory environment is George Anderson, President and CEO of the Insurance Bureau of Canada, a position he has held since 1992. The Insurance Bureau of Canada represents 230 federally registered property and casualty insurance companies, and nearly 110,000 employees of the industry. Prior to joining the IBC our guest held chief executive positions in the trust industry and in 1986 joined Central Mortgage and Housing as President and CEO.

During his time at CMHC, the Auditor General of Canada cited the Corporation as one of the eight best-performing federal government institutions. In 1989, Mr. Anderson received the

Canadian Home Builders Association Award of Excellence for service to the Canadian building industry. One year later CMHC was selected by The Financial Post as one of the best companies to work for in Canada.

During his distinguished career Mr. Anderson has earned numerous honours including "the business communicator of the year" by the International Association of Business Communicators—only the second Canadian to receive this distinction.

Mr. Anderson serves on the National Council on Crime Prevention. He is Chairman of the Toronto Civic Employees Pension Fund and the Toronto Firefighters Fund. He also serves as a member of the advisory committee of Parklane Ventures and is a member of Carlton University Advisory Council.

Our guest is active in a host of community organisations including the United Way, the National Mental Health Fund, Junior Achievement of Canada, and the Canadian Council for Christians and Jews.

Mr. Anderson also has an abiding interest in baseball and is a part owner and Chairman of the Shareholders Committee of the St. Catherines Stompers—a class "A" farm team of the Toronto Blue Jays. In his important role with the Insurance Bureau of Canada, Mr. Anderson will do his best to ensure in the present debate on financial regulation, that the industry he represents is not stranded in left field.

Ladies and gentlemen, would you please welcome our honoured guest Mr. George Anderson.

George Anderson

The federal government completed an exhaustive review of the legislation governing Canada's financial institutions in 1992. The next round of review is in 1997. This may seem a long way off, but the debate on possible reforms is already taking shape.

Unfortunately, it may be taking the wrong shape. Instead of looking at the big questions about how all the pieces of the financial puzzle fit together, it seems to be shaping up so far as a rather narrow debate about banks selling insurance. As you may know, in 1992 the government permitted banks to own insurance companies and to sell life and general insurance, as long as they followed certain fair competition rules. The banks were not allowed to sell insurance in their branches or to use their massive databases to target market insurance customers. These rules were put in place to protect consumers and to ensure that banks competed on a level playing field. The banks want these 1992 rules lifted. Many others want the rules to stay.

Now this is an important issue. For the average Canadian, it probably seems more like an industry turf war than a major issue of public policy. Indeed, the debate about the next round of reform is in some danger of becoming simply a contest between bankers and insurers played out on the business pages of newspapers and in the committee rooms on Parliament Hill.

That would be unfortunate because it sidetracks the debate away from more fundamental issues. To my mind, the question to be resolved is not simply whether the banks should get more insurance powers. The real question is: "What kind of financial services industry do Canadians want?" We seem to be moving quickly towards a financial services sector that is dominated and controlled by a few large institutions. Five Canadian banks are taking control not just of banking, but more and more of the entire range of financial services in Canada. This concentration of banking power is unprecedented in our history, and indeed, in the industrial world of the G-7 countries.

I think we need to pause for a moment and ask how this affects the Canadian consumer. One line of argument says that the consumer interest is best served by letting financial institutions fight it out in the marketplace. I often hear policy makers in Ottawa say that they are not in the business of picking winners and losers. They prefer to see this contest among financial institutions resolved in the iron cauldron of the free market. The thought behind this notion is that the institutions that best serve the consumer will prevail.

To this, I say that that is an interesting idea in theory. But in actual fact, we have never really tried it in Canada. The current dominance of the few banks has little to do with the natural outcome of a freely functioning market. Our financial services market is, and will continue to be, very closely regulated by government. Our market is, in fact, a direct product of government policy stretching back over many decades.

It is the result of government policy openly and deliberately designed to help Canadian banks achieve pre-eminence. The operative model is not—and never has been—free market competition among equals. The model we have chosen is one which, on the one hand, has incrementally opened up other financial sectors to the banks, while on the other hand, ensuring that the banks themselves are not equally open to competition. Despite what the theory may pretend, this is what the practice has been. The legislative framework developed many years ago gave Canadian banks extraordinary privileges and protection. These include limits on foreign competition, protection from takeover, de facto control of the payments system, and deposit insurance and liquidity support from the government and the Bank of Canada. That protection is still in place today.

Now I do not wish to seem unappreciative of some of the advantages of this policy. I'm not saying, for example, that the traditional stance favouring a few strong Canadian banks was wrong-headed from the start. A strong and profitable banking system is fundamental to economic development. Also, our pro-bank policy was prompted in large part by a desire to protect the savings of Canadians. I have no quarrel with that. Indeed, we can be proud of the stability of our banking system.

But times change. Perhaps we are now starting to pay too big a price for this policy to continue unchallenged. Perhaps now is the time to ask if the traditional policy framework—one that guarantees pre-eminence to just a few institutions—makes sense anymore. At the very least, I think we should be cautious about making any more significant, one-sided reforms in 1997 that exclusively favour the banks. We have seen a number of those reforms in recent years and the history of these changes reveals a relentless pattern.

In the 1970s, the mortgage business in Canada was spread between the life and bank and trust companies. Banks were small players. Today, the banks have by far the largest share of this market. In 1987, the rules were changed to allow banks to own securities dealers. Today, they have 70 per cent of this market. In 1992, the rules were changed to allow banks to own trust companies. Today, there are only two independent trust companies of any size left. The banks have most of the rest of that market. In total, the assets of the top banks jumped an incredible 52 per cent between 1991 and 1995. The degree of concentrated financial clout that these institutions now possess is greater than the major banks in any other G-7 country.

Even the Auditor General has raised concerns about this trend, about its implications for competitiveness, and about what it means for the consumer. Does this concentration of power hurt competition? Some theorists argue that it does not. After all, for most of its history, Canada has endured oligopolies and closely held entities in many industries. Five or six companies in a single market may be enough in theory to ensure good competition. Bankers themselves say that a handful of Schedule I banks makes for a fiercely competitive banking scene. Of course, the same bankers argue that 220 companies competing in the property and casualty industry aren't enough to make the insurance industry competitive, but let's not get sidetracked into an argument about numbers.

The real standard of competition is not the number of companies competing, but rather how they compete—how the institutions in a specific market really behave on a day-to-day basis. What does the behaviour of the banks tell us about competition?

Until very recently, the banks operated what amounts to a "closed shop" through the Interac System of automated teller machines. Just last December, the federal Director of Investigations under the Competition Act charged that the banks "abused their market position" to control that system, and that "as a result, competition has been lessened substantially in the Canadian market."

The banks are continuing to deny life insurers access to the Canadian Payments System. Insurers argue that bank control over this cheque clearing and settlement system is generating windfall profits for the banks. The banks are able to get fees from the insurers and their customers to process payments generated by the insurance industry. Because they control access to the system, pretty well everyone else is in what amounts to a captive market.

What happens to price competition in this captive market? According to Neil Quigley, a research associate at the Institute for Policy Analysis at the University of Toronto, such exclusive domain over the provision of settlement services inhibits external competition. So, at least with respect to the Interac System and the Canadian Payments System, there is reason to believe that competition is muted to put it mildly. There is more. The banks cannot argue convincingly that they compete very aggressively with each other in terms of price. Their core product prices—interest rates—are set centrally. Very rarely are the interest rates offered by the big five for loans or GICs "out of sync." When one looks at the degree of synchronisation of those rates, the word "competition" doesn't spontaneously spring to mind. After all, the parallel setting of these rates is an important component of national monetary policy.

Let's look at service fees. One would expect that robust competition would lead to the lowest possible charges for consumers—and some obvious correlation between the charges and the cost of providing the service. Yet what we find is that the service fee revenue of our banks has risen an astounding 9,500 per cent since the major banks began monitoring this in 1973. In that year, service fee revenue reported by our banks was about $21 million. Last year, it was over $2 billion.

Parliamentarians, small business leaders and consumers regularly complain that there seems to be no clear formula for how service fees are set. They seem to be set simply on the basis of how much the market will bear. The market, it seems, is often forced to bear quite a lot. As I said a moment ago, the issue isn't simply that five or six banks dominate the marketplace. It is how they achieve and maintain this position of dominance.

Perhaps it's time to question in a more vigorous way how we have structured our banking sector and its satellite systems. Perhaps it's time to ask whether the traditional assumptions about the need to protect our banks so fully from competition are still valid. And perhaps now is the time to look at the long-term consequences for the consumer of the absence of stiffer bank competition. The cross-ownership provisions of the 1992 legislation opened up new financial service sectors such as trust and insurance companies to the banks. By doing this, the legislation gave banks huge market power and unparalleled access to customer information. And in an age where information truly is power, this privileged access and control of consumer information give the banks an incredible and definitive advantage.

The fact is, the banks now have customer files that nearly rival the data banks of government. The ability to capture, use and control massive stores of information, coupled with their obvious local-market dominance, give the banks competitive advantages no other institutions enjoy. This combination represents an effective barrier to competition as the banks enter new markets and we all enter the age of information. There does not seem to be any obvious or convincing reason for further enhancing this huge advantage in 1997.

Another concern that needs to be addressed is the power the banks have to use credit denial as one way of achieving market dominance in non-banking sectors. A recent submission to the federal government by the independent investment dealers claims that after the banks got into the securities business, most of them stopped lending to independent dealers—although they continued to lend to their own in-house investment arms.

Does the power to deny loans to a competitor constitute an unfair competitive advantage? Is it an impediment against competing too aggressively with the banks? Is it, in fact, a structured conflict of interest? Is it too much to expect banks to lend freely to competitors? In cases like this, how are we to know that credit is denied for sound underwriting reasons and not for competitive reasons? The Insurance Brokers Association of Canada is deeply concerned about this. The thousands of independent business men and women who sell most of the insurance in cities, towns and villages across Canada could not survive if denied credit by the banks. As the brokers have often said, banks should help promote local commerce, not compete against it.

At the outset, I said that the 1997 financial services review should not be reduced to a case of bankers increasing their elbow room in insurance. The real issue is competition within the financial services sector as a whole. Resolving this issue in a way that favours more competition in the banking sector seems to me to be far more important to the consumer than extending the reach of banks further into other businesses.

If we resolve these broader issues of competition, it should be easier to deal with the specific issues such as banking and insurance. Speaking for the property and casualty insurance industry, I have no hesitation at all in saying this: we can compete with the best the banks have to offer in insurance provided that they compete with us on an equal and fair basis.

In fact, the banks can and do compete in the insurance market right now, under rules that ensure they do so fairly. The insurance industry has no problem with this at all. Where we have a problem is when the banks ask that the rules for every sector but their own be changed—changed so that they can use the overwhelming financial muscle which government policy has given them to potentially drive out competition. Insurers believe very strongly that, under the current scheme of things, the consumer will not benefit from such a move. We are not alone in this view.

So with the 1997 review, let's start to look at the broader framework. If we want to talk about how much power the banks should have to market insurance, fine—let's do so. But let's not get too fixated on this one question. Let us also ask whether the existing regime under which our banks operate really embodies policies that endorse fair and open competition and really lead to the results Canadians want.

It is not clear that the existing regime does that. Until it is clear perhaps we need to put a stop to this piecemeal approach to legislative change. For me, at least, there are enough grounds for concern to raise the flag of caution before rushing into more "incremental" changes in 1997—changes that would favour the banking piece of the financial services puzzle over any other.

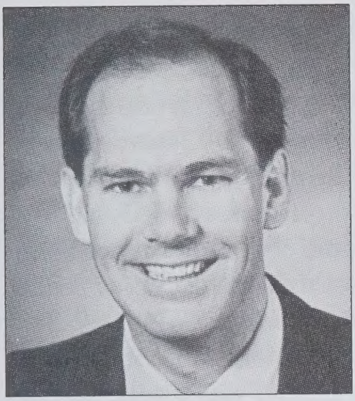
The government will soon release a White Paper on the 1997 reforms, which will help to clarify many of these issues. That clarity will be welcome. Because these are not simply turf wars within the industry. They are issues that affect us all—and the ability of Canadians to access the best possible financial services in the future.

Thank you.

The appreciation of the meeting was expressed by Bill Whittaker, Partner, Lette Whittaker and an Honorary Director, The Empire Club of Canada.

George Cooke, President of Dominion of Canada Insurance and Bob Gunn, President of Royal Insurance with guest speaker George Anderson.

Empire Club Director Marcia McClung with guest speaker Kevin Jenkins.



February 8, 1996

Kevin Jenkins

President and CEO, Canadian Airlines International

A BRIGHT FUTURE FOR CANADIAN AIRLINES

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Marcia McClung, President, Applause Communications and a Director, The Empire Club of Canada; Sam Blyth, President, Blyth & Company Travel and a former Director, The Empire Club of Canada; Sonia Fernandes, OAC student, West Toronto Collegiate Institute; Cathy Sobczak, Flight Attendant, Canadian Airlines International; The Rev. David Watson, Minister, Kew Beach United Church; Allister Paterson, Vice-President, Sales, North America Canadian Airlines International; John Cassaday, President and CEO, CTV Television Network; Chief William McCormack, retired, Metropolitan Toronto Police Service and a Director, The Empire Club of Canada; William Baxter, President, The Baxter Travel Group & Baxter Publishing; Alex Wang, Customer Service Director, Canadian Airlines International; Susan Bloch-Nevitte, Director, Public Affairs, University of Toronto; Jim MacDonald, Deputy Chairman, ScotiaMcLeod Inc.; and Ronald Denham, Director, A.T. Kearney Management Consultants.

Introduction by David Edmison

On December 17, 1903 Wilbur and Orville Wright successfully flew the first motor-driven airplane at Kitty Hawke, North Carolina. Their aircraft weighed 750 pounds and was powered by a 12-horsepower engine, about the same as a tractor lawnmower! A decade later the brothers were able to fulfil a government requirement to fly with a passenger for up to one hour. It could be said that this marked the beginning of the commercial airline business as we know it. Since the early part of the century the growth in the airline industry has been nothing short of spectacular leading to Marshall McLuhan's concept of a "global village." We can fly almost anywhere in the world in less than 24 hours.

The commercial airline industry has gone through radical changes in the past decade. There have been numerous mergers, restructuring and several bankruptcies in what is a highly competitive business. This restructuring has not been easy nor without cost. Perhaps the biggest winners through all of this have been the travelling public. More flights have meant greater choice and intense competition has meant lower ticket prices.

Increased competition has also spawned a revolution in marketing and advertising by the airlines. Millions of dollars have been spent on consumer research to identify more accurately who's flying and how to reach them. Marketing programmes are far more targetted with high-impact offers and promotions that are rich and relevant. In the last 10 years, frequent flyer programmes with their exciting travel awards have literally "taken off."

The regulatory market has also changed. With the recent signing of the Canada/U.S. "Open Skies Agreement," air travel between our two countries has expanded dramatically. In order to survive in the present environment, carriers have formed strategic alliances. The partnership between Canadian Airlines International and American Airlines is an example. It has facilitated a greater number of flights between our two countries as well as more efficient use of resources. With us today to talk about this fascinating industry, and Canadian International Airlines in particular, is the company's dynamic President and CEO, Kevin Jenkins.

Mr. Jenkins received a law degree from the University of Alberta and an MBA from Harvard University. He joined Canadian Airlines in 1985 in the Finance Department, after practicing law for five years. He very swiftly moved up the ladder serving as Chief Financial Officer and President of subsidiary Wardair. He was appointed President and CEO in April 1994 and also serves on the Board of Directors.

Our guest is a Member of the Board of Governors of the International Air Transport Association and was formerly Chairman of the Canadian Air Transport Association. He is a Member of the Committee of the Canadian Tourism Commission and serves on the Business Council on National Issues. Mr. Jenkins is 1995 Chairman of Canada Quality Month and is a member of the Business Advisory Council of the Faculty of Business at the University of Alberta. He is also a member of the Young President's Association (and as you can see, he's about as young a president as they come) and a Board member of Young Life of Canada.

Ladies and gentlemen, please welcome our distinguished guest, the President and CEO of Canadian Airlines International, Kevin Jenkins.

Kevin Jenkins

I have been looking forward to addressing Toronto business leaders because Toronto is by far the number-one airline hub in the country. More than 60 per cent of all travellers to, from and within Canada, either start in Toronto, are destined for Toronto or flow through Toronto to hundreds of destinations around the globe.

However, I feel Canadian has been a little too reticent in drawing attention to our activities here, so I hope you'll indulge me as I try and balance your perceptions.

First, our role in what really counts in this city—professional sports. There's lots of competition here for major professional sports affiliations. You should know that we are the official airline of both the Toronto Maple Leafs and the Blue Jays. Maybe we should buy a few more billboards.

Second, our actual competitive position is a lot more impressive than you might have thought. Canadian Airlines actually serves more destinations in Canada and around the world than our competitor. It's true! Canadian Airlines and its partners fly to 116 locations in Canada versus only 67 served by Air Canada and its partners. We serve five continents; they serve three. This is even more impressive when you consider that prior to the formation of Canadian Airlines in the late 1980s, Air Canada never faced any real national competition. It's quite a story! And one that will continue to benefit you as air travellers, with better service and lower prices. I suspect you've noticed a bit of that lately.

In 1991, shortly after Canadian Airlines was formed, the world airline industry entered the most devastating financial period in its history and saw some of the best-known airlines disappear. In total the industry lost $15 billion.

Canadian Airlines survived this period by doing a massive restructuring. We overcame every legal roadblock that Air Canada could put in our way. It won't come as a surprise to you when I say that we are pleased to have the early 90s behind us. However, like all other aspects of our society today, the airline industry continues to experience tremendous change. Competition is fierce and Air Canada makes no secret of its desire to go back to the past! Back to the "good old days" when they dominated Central Canada, they dominated routes to the United States and they dominated most international markets. Well, we are not going back. We plan to compete for your business with superior service in the airport and on board our aircraft.

Airline industry prospects are always closely tied to the prospects for the general economy. Consumer confidence will be a key issue for the Canadian economy in 1996. With approximately 10 per cent of the population unemployed, and an ever-changing workplace, the average Canadian buys later and waits for bargains. For the airline industry this has also been the trend, with travellers buying their tickets later than usual, and waiting for last-minute deals. Much like the Christmas shopper who in 1995 bought more gifts after Christmas than before, Canadian's customers are not in a frivolous mood.

On the plus side, the low Canadian dollar is positive for tourism in Canada. While domestic travel declined between 1991 and 1994, it increased by 25 per cent in

1995. When the dollar is low, more Canadians vacation in their own country and Canada becomes very affordable for foreign travellers. Growth in international travel is even more robust than domestic. As Canada's premier Asian carrier, the rapid growth in that region represents a tremendous opportunity for our airline.

Unparalleled new market opportunities have also emerged as a result of the federal government's leadership in both the free trade and open skies treaties between Canada and the United States. By working closely with our partner, American Airlines, we now offer a significant increase in service to 29 U.S. cities such as New York and Chicago. In less than a year we catapulted from 102 flights per week between Canada and the United States to 461 flights per week.

When you hear me speak about our partnership with American Airlines, you may be wondering what in the world is this "anti-trust immunity." The reality is very simple. American Airlines and ourselves are seeking anti-trust immunity so that we can co-ordinate our schedules and pricing on trans-border routes without being concerned about nuisance legal challenges from competitors or others. Contrary to what Air Canada says, there is nothing nefarious or unusual about this application.

The United States is a highly litigious society. (Ask my friend, Ray Loewen who runs the Loewen Group Funeral Home Company about his highly publicised dose of Mississippi justice!). Like most other foreign partners of U.S. airlines, we are making this application out of an abundance of caution. For example, Northwest Airlines and KLM were granted anti-trust immunity by the U.S. Justice Department for their joint venture. Other airlines have applications pending. In fact, last week the Wall Street Journal reported that Air Canada's own partner, United Airlines, will seek anti-trust immunity to coordinate operations with Lufthansa. Air Canada's objection to this application is just another example of their desire to cement their dominant position on trans-border markets instead of making the adjustments necessary to compete in the new open skies environment. The fact is, Canadian Airlines and American Airlines together have only a 13-per-cent market share on trans-border routes, compared to Air Canada's overwhelming 35-per-cent market share.

Like every other issue Air Canada dreams up, somehow they have twisted this one into cries of American control. This is blatant nonsense! It's also old news. In 1993 the national transportation agency spent weeks examining our arrangement with American Airlines. They concluded that Canadian Airlines was controlled by Canadians. Air Canada appealed the decision to cabinet. Not surprisingly their appeal was denied. They couldn't win in a court of law, so they've now turned to the court of public opinion. I have to tell you, it's a bit hard to take, especially when you consider the facts.

The facts are that no one at Canadian Airlines, including me, reports to anyone at American Airlines. American has a 25-per-cent voting interest and two representatives on the 11-member board of our airline subsidiary. Our parent company, Canadian Airlines Corporation, controls the remaining 75 per cent of the votes. Furthermore, American holds no shares and has no representatives on the board of our parent company! Paradoxically, Hollis Harris was recently quoted in "Travel Weekly" as saying he didn't believe there was a qualified Canadian to run Air Canada and that he is "pushing for one of the guys" he brought with him from the United States as a successor. I am reminded of glass houses and throwing stones.

I suspect the big question many of you have, however, is related to our staying power. You may also be wondering if Canadian Airlines has the financial stability to take advantage of all the growth opportunities I spoke of earlier. I'm here to tell you that we do! We have announced that we will lose between $185 million and $195 million in 1995. The actual results will be announced at the end of this month. Not only is it disappointing to have a loss, but the loss turned out to be much larger than we had expected. Some of the loss is explained by an increase in fuel prices and a weaker yen. However, the loss was much higher than anticipated due to adjustments to accounting for commissions and rebates to travel agents in Asia. In addition, we took some one-time charges to reflect a year-end clean-up initiated by our new chief financial officer, Kevin Benson, and to account for the cost of some strategic decisions, such as the consolidation of all our heavy maintenance work in Vancouver. The good news is that while the loss is significant, we had a cash balance of approximately $200 million at year end. This was well ahead of our forecast. I am also pleased to say that 1996 is off to a very good start and will be a vast improvement over 1995.

For Canadian Airlines in 1996, the customer will be king (or queen!). We will gain a higher share of the business travel market by reshaping our route network and improving our product. Let me tell you how.

We have worked hard on our network to significantly increase its breadth from Toronto, maintain our leadership position in Western Canada, and eliminate services where margins are low. As part of this strategy, 14 stations across our system have either been closed or transferred to our commuter partner Canadian Regional. The aircraft have been redeployed to other markets. This allows us to greatly increase frequency and capacity to 26 destinations from Toronto. As Canada's primary commercial centre, Toronto is crucial to our success.

For those of you who are frequent flyers, you will have noticed that we are improving the quality and competitiveness of our products. We have dramatically upgraded the business class service on our Boeing 747-400 and DC10 aircraft with the introduction of Club Empress. Club Empress was created with input from our customers. It features a brand new comfortable seat with 50 inches of personal space and in-seat video. Customers particularly enjoy the headrest winglets which provide exceptional head and neck support as well as additional privacy.

Our recently announced Canadian shuttle service makes us a player in Toronto as never before. The Canadian shuttle connects Montreal, Ottawa and Toronto in Central Canada; and Calgary, Edmonton and Vancouver in the West. For Torontonians, our shuttle operates 41 flights a day between Toronto and Montreal and 33 between Toronto and Ottawa. Basically, service between the three cities is hourly, with extra half-hourly flights during peak periods.

Last-minute work before flights is now possible at our new airport business centres adjacent to departure gates. They come complete with photocopy/fax/printer machines, telephones and computer data ports. No other airline offers customers this service in Canada. Of course, we also have complimentary morning coffee and newspapers. Once you're on board the shuttle, we'll treat you well with new business class seats. We are installing the new seats on our B737 fleet at the rate of one aircraft per day through the month of February. These are high-quality seats and offer more leg-room than the competition.

In 1996 we intend to increase our market share out of Toronto. We want to earn a higher percentage of your business. For too many of you it's become a habit to fly primarily with our competitor. There were historical reasons for this, but they no longer exist. We're offering exciting new ways to travel. If you're willing to break old habits, we'll make sure you're glad you did. We have been listening to Toronto business people and changing to meet your needs. As I have already mentioned, in the past year we have vastly improved our product and our frequency out of Toronto's modern Terminal 3. But, on top of all that, our employees own 25 per cent of the company and want your business as much as I do. They will provide you with an observable service difference. Try us, I think you'll be impressed!

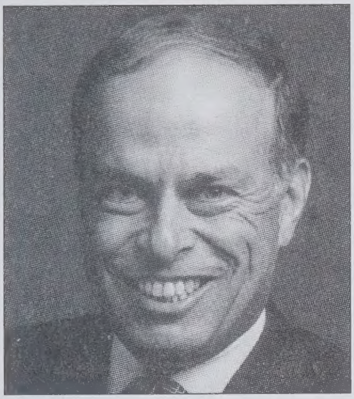
I have spent a lot of time discussing business customers, but leisure travellers are important too. While business travellers are far more profitable, it is essential to carry a significant percentage of leisure customers in order to be truly successful, not to mention that today's business customer may be a leisure customer with a family on their next trip. The most important thing to a leisure customer is price, price, price. Our new management information systems give us a far greater ability to use price strategically. A seat sale done well enhances profitability by generating new demand at a slow time of the year, or for that matter, a slow day of the week. This has been our experience with both our getaway fares and our recent special winter fares. In both cases we were successful in generating significant incremental revenues. Our current bookings are well ahead of this same time last year.

Canadian's best growth opportunities continue to be in international markets. In 1996 we are dramatically increasing our service out of Toronto to other countries. For example, we recently inaugurated daily non-stop flights to Frankfurt and are doubling our capacity from Toronto to South America. Canada is geographically well located to take advantage of the significant growth expected in international travel well into the next century. We are a northerly country and therefore often on the flight path of the most direct routing between two international cities. For example, one of the best ways to get from Japan to Brazil is through Toronto. However, for Canada to take full advantage of its location we must have far better infrastructure and in-transit regulations. Toronto, in particular, deserves to be a major North American and international gateway.

Pearson International will be compared to Chicago's O'Hare or Heathrow or Singapore. Is there congestion? Is it difficult to get a landing slot? Is it difficult to find an available gate? Can you make a quick connection if you have to? The answer to all of these questions underlines why it is so important that the redevelopment of Pearson Airport proceeds promptly and in the right direction. I have every confidence that Lou Turpen, the new CEO at the Toronto Airport Authority, is exactly the right man for this job. Pearson will never make it to the big leagues, however, with Canada's outdated transit and visa regulations. Today if you are travelling from Brazil to Japan through Toronto, not only do you need the appropriate documentation for Japan, but you also need a visa to enter Canada and must clear customs in Canada before boarding your flight to Japan. This is a lot of hassle which can be avoided by choosing a connection point outside Canada. Obviously, that is not in our collective best interests.

There will always be turbulence in the airline business, but with new markets, new opportunities and a new senior management team at Canadian Airlines, the future looks brighter than ever before. Canadian Airlines has put the elements in place to be the premier airline in Canada for the business traveller. A big part of this investment is focussed on Toronto. As a world-class airline offering competitive service in a world-class city, we'd like you to join our team. Choice, rather than chance, determines destiny. At Canadian, we've put a lot of hard work and determination into our choices. Now it's time to perform.

The appreciation of the meeting was expressed by Chief William McCormack, retired, Metropolitan Toronto Police Service and a Director, The Empire Club of Canada.



February 15, 1996

Robert Schultz

Chairman and CEO, Midland Walwyn Capital Inc.

THE EXTENSION OF BANK CONTROL IN THE FINANCIAL SERVICES INDUSTRY

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Alex Squires, Security Analyst, Brenark Securities and a Director, The Empire Club of Canada; Robert Douglas, Vice-President, Financial Advisor, Midland Walwyn Capital and a former Director, The Empire Club of Canada; Leon Atkins, OAC student, Malvern Collegiate Institute; The Rev. Edward Jackman, Historian, Archdiocese of Toronto; John Crow, former Governor, The Bank of Canada and President, J & R Crow Inc.; John Curtin Jr., Partner, Goldman Sachs Canada; The Hon. Edwin Goodman, Partner, Goodman, Phillips & Vineberg; Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada; Tom Long, Managing Partner, Egon Zehnder International Inc.; Kiki Delaney, President, C.A. Delaney Capital Management; Dominic D'Alessandro, President and CEO, Manulife; and Warren Goldring, Chairman and CEO, AGF Management Limited.

Introduction by David Edmison

"The Order is
Rapidly fadin
And the first one now
Will later be last
For the times they are a-changin."

Bob Dylan wrote these words 33 years ago. His hit song, "The times they are a-changin," became the anthem for an entire generation. This was the sixties, a decade of experimentation, protesting the established order and a time which marked rapid change in the social fabric of society. Some areas were insulated from this maelstrom of change; the four pillars of the financial community, banking, trust, insurance and brokerage remained solid and distinct. They had clearly defined roles and regulations in place, allowing each to serve their niche markets.

Today, the theme of Dylan's song could just as easily refer to the torrent of change witnessed in the financial community, now ruled and run by the children of the sixties. The most dramatic changes are being felt right now. The four financial pillars are no longer as distinct and functionally separate. The regulatory environment has also evolved. The relaxation of the "Glass-Steagall Act" in the U.S., the revisions to the " Bank Act" and "Financial Services Act" in the U.K., and changes made and considered in our "Bank Act" have heightened the level of competition in the industry.

The banks have been allowed to enter areas in which they were previously forbidden to compete. Corporate loans, the mainstay of the banking industry, while still important, are playing a smaller role. In order to increase market share, banks have crossed both national and traditional industry borders. Now, Canadian banks are able to fulfil investment banking functions through their discount brokerage subsidiaries and are permitted to sell a variety of products including insurance and mutual funds directly to their customers. These industry-wide changes have fostered much debate about the proper role for the banks; what is fair and what isn't.

With us today to present his views on the industry from his unique perspective as head of Canada's largest financial services organisation serving the individual investor, is Mr. Robert Schultz, Chairman and CEO of Midland Walwyn Capital. Midland Walwyn serves more than 435,000 clients through 1,500 representatives, working out of 135 locations across Canada.

Mr. Schultz was the key architect in the merger of Midland Capital Corporation and Walwyn Stodgell Cochran Murray in 1990 and the subsequent merger of Midland Walwyn with Dean Witter

Reynolds (Canada), in 1991. Prior to this he spent over 16 years with three of Canada's major investment houses in senior management capacities. Our guest is a Chartered Accountant and holds a B.A. from the University of Manitoba. He is past Chairman of the Board of Directors of The Investment Dealers Association of Canada. He is also a member of the Canadian Special Olympics, the Council for Canadian Unity and serves as Chairman of the PC Ontario Fund.

In the current review of federal government legislation Mr. Schultz will share with us his insights and offer advice on what action Ottawa should take to help sustain efficient Canadian markets. The outcome of this debate is important because as we all know " the times they are a-changin."

Ladies and gentlemen, will you please welcome our special guest, Mr. Robert Schultz.

Robert Schultz

Thank you very much, David, for that kind introduction. It is a great pleasure to speak today to The Empire Club. With a crowd of this calibre, and given the time of year, it's awfully tempting to make a pitch for some of the RRSP dollars in this room. In fact, minding my business and competing to meet customer needs is something I'd much rather be doing than talking about public policy issues—especially at this time of year.

But sometimes, when you step back from the ebb and flow of day-to-day business, you see something going on that concerns you. You have to speak out. The issues I want to speak out about are:

- the concentration of banks' power in our financial system and;
- means of levelling the playing field between bank and non-bank players.

This is timely, because RRSP sales are not the only thing going on as I speak today. In Ottawa, the Department of Finance is preparing a white paper on the regulation of financial services in Canada. This white paper is a critical milestone in the review of financial services that the government undertakes every five years. The past two reviews, ending in 1987 and 1992, brought sweeping changes. They dealt with basic issues, essentially demolishing in two steps the sector's traditional "four pillars" structure.

After all this sweeping change, many expected the 1997 review to be a fairly quiet, technical exercise. But I don't think that's how it's turning out. People are speaking out. Non-financial companies are making their voices heard. The media are weighing in. Parliamentarians are listening.

Why? Because the assumptions on which these changes were made have proved to be questionable. Their implementation did not provide adequate safeguards against the dangers that many foresaw and the basic issues are extremely important to our economic future.

In the 1990s, five years is a long time in business. A lot has happened. It has become clear that a lot more is going to happen, before Canadians get a chance to examine these issues again in 2002. The time for a full and honest examination of our financial system is now. The government must take this opportunity to address concerns about concentration of power and to level the playing field in financial services.

Let me briefly recap how the four pillars have come down, and what's coming next. In 1987 the federal government announced that Canadian banks would be able to purchase 100 per cent of investment dealing firms effective in 1988. In 1992, it allowed banks, trust companies and insurance companies to undertake most of each others' business functions, directly or through subsidiaries. What's happened since then?

Well, the investment firms were the first to go. Within eight years of the federal green light, bank-owned investment dealing subsidiaries have absorbed 70 per cent of the industry's assets. The remaining 30 per cent is divided roughly evenly between Canadian independents, such as Midland Walwyn, and foreign-owned dealers.

The trust companies were next. In part because of long-standing business difficulties in that industry, the number of trust companies in Canada declined from 82 in 1984 to 57 in 1994. And furthermore, banks have gone from controlling zero per cent of trust company business in 1992, to 45 per cent in 1994. Although trust companies are now permitted to establish banks, not one has done so.

And the next pillar in line is insurance. Although insurance companies have been permitted to establish or acquire securities dealers, almost no one has done so. And while they were permitted to set up trust companies, they have only established a few. Meanwhile, four of the five major banks have at least one life insurance company. And only one of the six major life insurance companies has established a small, Schedule II bank.

As you all know, the banks' drive to further penetrate the insurance industry is far from over and this would lead to an even greater concentration of bank power. The highest profile issue of the 1997 review is whether or not bank-owned insurance companies will be permitted to sell their products directly through bank branches. For those who favour a competitive financial services sector, such a move would be a giant step backwards.

What has happened, it is plain to see, is a swift and massive extension of bank control of the financial services sector. In 1990, banks already held 57 per cent of the assets of the financial services industry. That amount has only increased since then. The recent history of financial services in Canada looks less like pillars coming down, and more like dominoes being knocked over.

Now, I want to ask a question that hasn't been asked nearly enough over the last 10 years. Is this extension of bank control a good thing? In offering an answer, I want to draw primarily on my field of expertise, which is the investment industry and the Canadian capital markets. Canada's capital markets are one of the country's great success stories. They are one of the foundations of our economic achievements as a nation. The efficiency, accessibility and reputation of our markets have made them among the world's best. They have proved to be a superb instrument for the building and expansion of our country.

Canada's markets are highly competitive. In proportion to the size of our economy and our population, our markets raise twice as much capital as the United States. On a proportional basis, we also trade more stocks and bonds. Large companies and small ones get access to private and public capital at a comparatively low cost. Our capital markets have been a good place for corporate Canada to raise money and a good place for corporate and individual investors to make money—which is the way it should be. Let me say that I see nothing inherently wrong with banks being in the investment industry. Midland Walwyn and the other independent dealers are ready, able and eager to compete with bank-owned firms. But the banks do not seem content with a 70 per cent share of the investment business. I believe that the trend towards further bank domination of the capital markets is a threat to those markets.

What's the threat? Let me tell you. Total bank domination of the investment industry will give the banks control over the capital markets themselves. And that control would be all too easy to abuse. With complete control of the Canadian capital markets, banks could fix the price of going to the markets. They could steer corporations to seek commercial lending instead. The major bank-owned dealers would also have oligopolistic pricing privileges. This would allow them, if they wished, to simply hike the cost of issuance and up their profit margins.

Look at the experience of countries like Germany, where the banks have a dominant position in the markets. OECD statistics show us that the cost of raising capital in those markets is indeed higher and in that country, the banking industry is much less concentrated that in

Canada. In 1990, the top five German banks held only 25 per cent of banking assets. In contrast, in Canada in 1993, the top five held 62 per cent. In France, the top five banks control 51 per cent of banking assets; in Italy, it's 43 per cent; in the UK, 31 per cent; and in Japan, 23 per cent. In the U.S., it's 12 per cent. So let's be clear about this: when it comes to concentration, Canada is not the norm. It is the anomaly.

So what does this mean for Canadians? The capital markets tend to under-perform in any country where bank ownership dominates the investment industry. This means an increase in the cost of raising capital, which will make us less competitive as a nation. In Canada, our problem is compounded because so few banks dominate. As President Woodrow Wilson said: "A concentration of the control of credit… may at any time become infinitely dangerous to free enterprise." The Americans have been running their financial system to prevent that for 75 years; how long will it take us to figure it out?

There is a risk in going to only four major dealers. There is a risk in having highly concentrated banking, with operations across the field of financial services. Taken together, the risk to the capital markets of having only four major players, all of them owned by the major banks, is very great indeed.

So what should be done to contain that risk? Well, the first and most important step is for independent firms to keep competing and competing hard. I think I can speak for my friends in the other independents in saying that we are doing that, and we will keep at it. The second step is to put a stop to the anti-competitive abuses, perpetrated by banks, that unfairly advantage their investment dealer subsidiaries. Some of you may have seen the media stories and editorials about the banks' anti-competitive abuses relating to the investment business. Concerns about tied selling, discriminatory lending policies and other issues have been receiving increasing attention.

I believe that, if left unchecked, these practices will result in the absorption of the remaining domestic independents, which would give the major banks a dangerous amount of control over the markets and a dangerous amount of control over consumers as well. I get dozens of calls and letters from individual consumers complaining about bank tied selling. Many of our client customers tell me that when they go for a loan, their banker tells them that they should bring their RRSP to the bank. They tell me that when they write a cheque to their securities account, the clearing bank calls them and says: "Hey, why aren't you using our investment dealer?"

This is clear abuse. In the United States, banks' tied selling of lending and securities and discriminatory capitalisation of dealer subsidiaries is prohibited by law. This is in a country where banks' market power is spread out across thousands of institutions. If anti-competitive bank practices vis-a-vis securities are a concern in the land of 10,000 banks, it's absurd that they aren't in a country where only five major players dominate the field. I urge the government of Canada to adopt the U.S. Restrictions on tied selling and discriminatory capitalisation financing as soon as possible.

The first step is independents working to compete.

The second step is prohibiting banks' anti-competitive practices.

The third step towards maintaining strong capital markets is levelling the playing field, so that independents can compete fairly with bank-owned conglomerates.

Look at the payments system and Interac. Now, as many of you know, the banks' control of access to Interac has been a subject of public debate for a long time. Right now, it is impossible for Midland Walwyn to offer its customers, at reasonable commercial rates, an ATM card with which they can access their securities accounts. I know, because we've tried. The government of Canada has been concerned too, which is why the federal competition bureau has been investigating the Interac situation for years. Last fall, they arrived at a proposed settlement with Interac, after concluding that Interac players have "abused their dominant market position." Those are their words, not mine.

Midland Walwyn and Richardson Greenshields, are now arguing before the competition tribunal that the proposed settlement doesn't really solve the problem. Others, from sectors as diverse as mutual funds, payroll services and retailing are arguing about the same thing. I'm not going to rehearse our arguments in front of you, but suffice it to say that we are facing some tough sledding in prying Interac open. It's ironic, because according to the most recent OECD statistics, Canada has one of the lowest rates of electronic financial services utilisation in the developed world. I find it extraordinary that a quasi-judicial effort is needed to allow more players to offer electronic financial services to their customers.

Perhaps even more extraordinary—and here is where I really turn into a heretic—is the prohibition on establishing investment accounts for consumers from which they can directly write cheques. Now, when you ask people if this should be allowed, the answer often comes back: "No, that can't be permitted, because cheque writing is a core banking function."

Well, let me ask the question: "Why?" No one even tries to define banking any more. The federal Bank Act can get no more specific than to say that banking is the business carried on by banks. If no one can say what banking is, how can anyone legitimately define what a "core banking function" is? And this leads straight to a core question at the heart of the entire recent evolution of our financial sector. Banks can do the same things everyone else does. Why can't everyone else do the same things banks can? Why do the dominoes have to fall only one way, which is the way banks want them to?

I think these are the sorts of questions all of us—especially the federal government—have to ask ourselves as the review unfolds because the basic question here is: "Who calls the shots in the Canadian economy?" For over 100 years, more or less, governments did. But that is changing now. There has been a revolution in the way economics function, not only in Canada but around the world.

This revolution has been driven by technology, globalisation and above all, by consumer choice. It has made our governments realise that they must allow market forces to take the lead in providing prosperity to Canadians. And I support that. But a philosopher once said that "no sooner has the tide of revolution receded, than is it replaced by… a new bureaucracy." It would be terribly ironic—not to mention economically dangerous—to watch remote, accountable and bureaucratic governments retreat from our economic life, only to have them replaced by remote, unaccountable and bureaucratic bank conglomerates. The market revolution we are undergoing in Canada is just that—a market revolution. I believe that economic power should be placed in the hands of market participants—users, investors, consumers, you name it.

Banks should be a part of it, too. And if they play their part well, they are entitled to all the profit they earn. That is the basis of competition, which, I think you will all agree, is the only basis on which an economy can ultimately more forward.

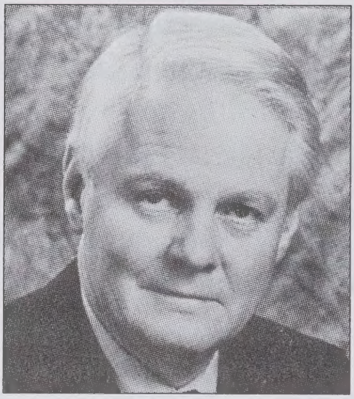
I am not asking for special protection. I am not seeking to turn back the clock. The four pillars are gone. Independent firms do compete and will compete in the new financial services universe. We should be able to do so without anti-competitive hindrances. We should be able to do so on a level playing field, where we can offer more customers greater access to our products.

That's the best way forward: for Canada's capital markets; for capital market participants; and for Canada's economy.

Thank you.

The appreciation of the meeting was expressed by Alex Squires, Security Analyst, Brenark Securities and a Director, The Empire Club of Canada.

Head table guests John Curtin, Kiki Delaney, Robert Schultz and John Crow.



February 22, 1996

Fred Telmer

Chairman and CEO, Stelco Inc.

FREE TRADE WITH THE U.S.—ONLY IN A DREAM WORLD

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Leland Ausman, Honorary Director, The Empire Club of Canada; Karen Lai, grade 12 student, Riverdale Collegiate Institute; The Rev. Cameron Brett, Minister, St. Andrew's Presbyterian Church; Dr. Fraser Mustard, President and Bell Canada Fellow of The Canadian Institute for Advanced Research and a Director, Stelco Inc.; Alfred Kennedy, Consul General, United States of America; Diane Francis, Editor, The Financial Post; Bill Brock, Vice-Chairman, Toronto Dominion Bank; Carlyle Dunbar, Financial Journalist and an Honorary Director, The Empire Club of Canada; Edward Reeser, Vice-President, Finance, Timminco Ltd.; Peter George, President and Vice-Chancellor, McMaster University; and Arthur Scace, Q.C., Managing Partner, McCarthy Tetrault.

Introduction by David Edmison

In 1856, in a paper to the British Association, Sir Henry Bessemer outlined his revolutionary process of decarbonising cast iron, making it possible to produce steel economically. Shortly after his discovery England's steel production expanded over 30 times and the price of steel declined 80 per cent. Bessemer was drawn to the problem of producing steel economically in order to improve the manufacturing of guns. Even Bessemer might have been surprised at the spectacular growth in the steel industry over the past 150 years. It is used in thousands of applications from beams to bicycles, from ships to surgical instruments.

Over the years there have been many refinements and innovations made in the production process and the steel industry today is one of the most competitive in the world, requiring huge capital investments. In North America the signing of the "North American Free Trade Agreement" has ushered in major changes to the marketplace. Many companies have restructured and realigned their core businesses in order to be more competitive and productive. Since NAFTA the volume of business with Canada's major trading partner, the U.S.A., has grown substantially. Not everyone has had a fair share of this increase in business and there still are a number of bilateral and, with the entry of Mexico, trilateral trade issues yet to be resolved. There has been much written in the press about the various trade disputes between Canada, the U.S. and Mexico involving allegations of dumping. Among those caught in the midst of this controversy are the Stelco Group of businesses, who are collectively Canada's largest producers of steel. With us today to discuss the major trade issues facing the Canadian steel producers is the energetic Chairman and CEO of the Stelco Group, Fred Telmer.

Mr. Telmer heads a company which produces over four million tons of steel per year, generates close to $3 billion in revenue and employs almost 12,000 people. Mr. Telmer joined Stelco in 1963, working first in the Industrial Relations Department and then in the Marketing Division where he held various managerial positions. In 1984 he became General Manager, Corporate Affairs and Strategic Planning and a year later was named Vice-President of this Group.

Our guest quickly climbed the ranks and became President of Stelco Steel in 1988. A year later he was elected to the Board of Directors and was named Chairman and CEO in 1991. Mr. Telmer is a Director of Inco and CT Financial Services. He is a Director of the International Iron and Steel Institute and the American Iron and Steel Institute and is Chairman of the A.I.S.I.'s North American Steel Council. He is also a Director and Chairman of the Canadian Steel Producers Association; a founding Director of the Japan Society and serves as Vice-Chair of the Canada-Japan Business Committee. In addition to these responsibilities he is Vice-Chair of the Institute for Work and Health and is Chairman of the Board of Governors of the Chamber of Maritime Commerce.

Ladies and gentlemen, I ask you to welcome our special guest, truly a man of steel, Mr. Fred Telmer.

Fred Telmer

Good afternoon, ladies and gentlemen:

I would like to thank The Empire Club of Canada for giving me the opportunity of speaking to you this afternoon. Since its founding in 1903, The Empire Club has acquired a well-deserved reputation as one of Canada's leading and most prestigious public policy forums.

Let me get right to the theme of my remarks by making a simple straightforward statement. We do not have free trade with the United States. Anyone who thinks otherwise is living in a dream world. Anybody exporting to the U.S. who believes that the Canada-U.S. Free Trade Agreement (FTA) and its successor, the North American Free Trade Agreement (NAFTA), gives them some kind of protection or special status in dealing with U.S. trade laws is putting his company at risk.

This might seem a strange observation to make when you consider that, over the past eight years, Canada-U.S. trade, which accounts for more than 80 per cent of NAFTA trade, has escalated in value from nearly $190 billion in 1988 to a current level of about $330 billion. We often hear that only five per cent of this total is involved in trade disputes. So where is the problem? The problem is that the other 95 per cent is also subject to the full force of U.S. trade laws in the same way as U.S. trade with Italy, Japan or Brazil.

If the FTA or the NAFTA is not a free trade agreement, then what exactly is a free trade agreement? A free trade agreement is basically an arrangement that provides for a free flow of tradeable goods, services and investment across national borders. It is based on the premise that trans-border trade should be conducted in the same manner as unencumbered local trade within any of the participating nations.

The flow of trade is like water. It flows from advantage to disadvantage until equilibrium is achieved. In the case of water, the flow is governed by physics; in the case of trade, by Adam Smith's "Invisible Hand." Any constriction of the flow, with concrete in the case of water or protectionist trade barriers in the case of trade, will impede the achievement of equilibrium and the full benefits of the process will not be realised.

This does not mean that a free trade agreement should be a free-for-all bereft of any rules. What is essential to the effective functioning of such an arrangement is a mutually agreed-to set of common trade rules or protocols that dampen any short-term fluctuation and deal with any predatory actions on the part of participants.

The Australia-New Zealand Free Trade Area is an example of how a properly constituted FTA or NAFTA should work. Australia is New Zealand's most important trading partner, while New Zealand, in turn, is Australia's largest single market for manufactured exports, not unlike the relationship between Canada and the United States.

In creating their free trade arrangement, both countries concluded that anti-dumping and countervail actions against production in either country made absolutely no sense. They have taken the position that trade across the Tasman Sea should not be treated any differently than trade across the great expanse that is Australia. Should anti-competitive or predatory practices give cause for concern each country will apply its respective competition laws.

This, unfortunately, is not what we had in the FTA and it's not what we currently have in the NAFTA. When the FTA was being created in 1987, negotiations had gone right down to the wire without agreement having been reached on how to handle anti-dumping and countervail. By way of explanation, dumping is defined as selling your product in a foreign market for less than you would in your domestic market. Countervail laws are designed to counter government subsidies that are deemed to have assisted exports.

At the eleventh hour, Canadian and U.S. negotiators reached a compromise on these contentious issues. This compromise provided for an extra five to seven years to negotiate common trade rules that would address anti-dumping and countervail concerns. As an interim measure, a temporary adjudicative process was established in the form of binational panels. The compromise also stipulated that binational panels would only exist until an agreement could be reached on anti-dumping and countervail. If the time limits expired without agreement being reached, the binational panels would disappear.

The commitment to negotiate common trade rules proved not to be worth the paper it was written on. The Canadian government was unwilling or unable to get the U.S. to come to the negotiating table. The U.S., on the other hand, clearly had no interest in modifying its trade laws. To the contrary, it was seeking to strengthen these laws in tactical response to the tariff-reducing trend of the Uruguay Round of the General Agreement on Tariffs and Trade Negotiations. The five-to-seven year negotiating period came and went without any action being undertaken.

Canadian suspicions that the U.S. commitment to negotiate common trade rules was nothing more than a sop to Canada that was never meant to be acted upon were reinforced when the first draft of the NAFTA appeared on the scene in 1993 minus any reference to a common trade rule regime. In December of that year, at a meeting with President Clinton in Seattle, Canada's new Prime Minister, Jean Chrétien, made Canada's proclamation of the NAFTA conditional on a renewed commitment toward developing such rules. A deadline of December 1995 was set for completing this task. Once again, this deadline has come and gone with nothing being achieved. What was heralded by the Canadian side to be a specific U.S. commitment turned out once again to be nothing more than a sham.

These observations reflect very clearly the degree to which the formulation of U.S. trade laws and how they are implemented is a politically driven rather than an economic or trade-driven process.

The U.S. system of government encourages open and wide-ranging debate on public policy issues. When trade agreements, such as the FTA and NAFTA are involved, this debate focuses not only on the merits and demerits of the agreement itself, but also extends to what others would deem as "technical issues," which must take into account the wishes of the special interest groups that form the backbone of the U.S. political system.

In most other jurisdictions, such as Canada, these "technical issues" would be considered administrative in nature and dealt with by the bureaucracy once the proposed agreement had been enacted into law. In the U.S., since sides are taken on these issues during the political debate, they continue to be politically driven during administrative implementation. When the formidable coalitions of members of Congress, trade lawyers, lobbyists, industry groups and other special interests that inevitably come together when trade issues are involved press the button, the net result is that the United States trade representative invariably responds.

This is not a criticism of the U.S. system, merely an acknowledgment that it is the U.S. system. What I am critical of is the fact that the Canadian government is either unwilling or unable to recognise this reality. Let's face it: the U.S. has consistently demonstrated a tenacious attachment toward protecting the sanctity of its trade laws. Nowhere has this been demonstrated more intensely than in the steel sector. Given this reality, it is certainly not coincidental that throughout the eight years the FTA and NAFTA have been in existence, there have been more antidumping disputes involving steel than any other product category.

As a Canadian-based steelmaker, I can relate to the concern U.S.-based steelmakers have over off-shore imports because we have that same concern. For all too long, the United States and Canada have been the last truly open steel market in the world and import penetration of that market has been the highest among the industrialised economies.

Many of these imports are of the "dump and jump" variety—large volume boatloads of steel from international traders that are sold at distress prices that set the new pricing level for the market. What I find highly ironic and, indeed, perturbing, is that U.S. trade laws have in their application proven much more effective in inhibiting legitimate, cross-border, long-standing supplier-customer transactions carried on within a Canada-U.S. free trade environment than they have in dealing with these "dump and jump" boatloads of predatory imports.

U.S.-based steelmakers have made it very clear on many occasions to their Canadian contemporaries that, as far as they are concerned, U.S. trade laws are sacrosanct and that their preservation was a precondition to the U.S. entering the FTA and, subsequently, the NAFTA. This attitude certainly explains why discussions on the part of NAFTA working groups and at the North American Steel Council of the American Iron and Steel Institute to devise common trade rules moved at such glacial speed and, more significantly, why nothing was ever accomplished.

As one justification for the position they have adopted, U.S.-based steelmakers contend that, in their view, the Canadian and U.S. economies are not integrated. I beg to differ! Two nations with the world's largest bilateral trading relationship valued at an estimated $330 billion annually and whose automotive, appliance, agricultural implement, electronic, computer and financial service industries operate as if the border did not exist would seem to me to be far along the road to integration.

The Canada-U.S. Auto Pact illustrates perfectly the degree to which the Canadian and U.S. economies are integrated. Under this treaty, auto production has been rationalised to the point where, depending on the vehicle model involved, the entire North American demand for that model is met from facilities located in either country. As an example, the Chevy Lumina is assembled in Canada for the entire North American market, while the Saturn is assembled in the United States. Ford's Grand Marquis and Crown Victoria are Canadian-assembled, while the Sable and Taurus are U.S.-assembled. Production of Chrysler's Cherokee sports utility line is centred in the U.S., while the LH line is predominantly assembled in Canada. None of these models has a Canadian or U.S. designation. Unlike Hyundai which has a Korean and BMW which has a European designation, they are all North American.

We see the process of integration at work within our own steel sector. Canadian and U.S.-based steelmakers jointly own raw material and manufacturing facilities in each other's country. They draw their refractories, reagents and machinery from the same continental supply base. They operate under similar labour and environmental laws. They participate together in the technical and commercial committees of the American Iron and Steel Institute, where they undertake joint research projects and activities to promote the expanded use of steel.

Canadian and U.S-based flat-rolled steel producers serve the same North American customer base. Canadian-based producers ship to long-established customers in the United States and U.S. steelmakers do likewise to customers in Canada. Ten to 12 steel producers—the U.S. majors plus the Stelco Group of Businesses and Dofasco—bid for all or part of the steel requirements of General Motors, Ford and Chrysler. All three of those giants look upon the United States and Canada as one marketplace and one production environment.

Ladies and gentlemen, I suggest that anyone who continues to deny the reality of an integrated North American economy and marketplace in the face of all this and other evidence to the contrary is probably well on his way to taking out a membership in the Flat Earth society!

Even more ludicrous is the contention that the sanctity of U.S. trade laws must be maintained because of the unfair advantage Canadian manufacturers supposedly enjoy because of the lower Canadian dollar. This presupposes that the value of a nation's currency is set by political or administrative decree rather than by the movement of market forces.

From a Canadian steelmaker's perspective, the difference in value between the Canadian and U.S. dollars is a two-edged sword as our U.S. colleagues know full well. Canadian steelmakers purchase a significant proportion of their manufacturing inputs from the United States and, as a matter of fact, the value of these purchases exceeds the value of what we sell there.

U.S. steelmakers also complain about the degree to which Canadian steel producers supposedly benefit from subsidies. In actual fact, only one small Canadian producer, Sydney Steel, in Nova Scotia, has received government subsidies. I would suggest that as far as other Canadian steel producers are concerned, the impact of these policies fades into puny insignificance when compared to the lavish subsidies offered by individual U.S. states to have steel producers set up within their jurisdictions. Ironically, two Canadian steelmakers, having adopted the "if you can't beat them, join them" philosophy have established Gallatin Steel in Kentucky and in this process received subsidies to the tune of U.S.$365,000 per job.

If I were asked whether I believed there was any chance at this point of completing the NAFTA by negotiating a common trade rule regime, my answer would be a categoric "no." If you were also to ask me if we currently have a level playing field in Canada-U.S. trade, my answer again would be "no."

Let me illustrate the latter point by outlining crucial differences in the application of major Canadian and U.S. trade laws that stack the deck decidedly against Canadian interests.

In Canadian dumping investigations, counsel for a Canadian petitioner does not have access to questionnaire responses of parties under investigation. In a U.S. investigation, counsel for U.S. petitioners not only has complete access to Department of Commerce questionnaire data; they are also allowed to "assist" the DOC by suggesting other areas of investigation as well as commenting on the accuracy of an exporter's responses. This virtually guarantees the establishment of the dumping/injury line required in the subsequent U.S. International Trade Commission (ITC) phase of the investigation.

Under Canadian trade law, the onus is on domestic manufacturers to prove they have been injured by imports. This process, which can last up to three weeks, takes place in a trial-like courtroom setting that permits extensive cross-examination by counsel for foreign exporters. By contrast, the focus of the U.S. injury determination process is on the evaluation of data accumulated by the ITC and the time allowed for public presentation and cross-examination is as little as one hour. In Canada, domestic manufacturers must prove they have been injured in order to win an anti-dumping case. In the U.S., it is up to the exporter to prove that they are not injuring U.S. producers.

In Canada, once a positive anti-dumping finding has been made by the Canadian International Trade Tribunal (CITT), no penalty need ever be paid by an importer provided they price at "normal value" as calculated by

Revenue Canada. The U.S., on the other hand, requires the posting of a dumping duty deposit even when sales are at non-dump prices.

The differences between Canadian and U.S. trade laws lie, not so much in the laws themselves, but rather in the accompanying regulations and how they are administered. The U.S. interprets and applies these regulations with a great deal of rigidity. It's rather like what you go through when you access the Internet. If you miss a comma or period, access is denied. Canada, on the other hand, undertakes a much more lenient approach with minor infractions being overlooked or accommodated at a later date. What is the impact of this difference? The Canadian customer in the U.S. has shipment delayed, while the customer of the U.S. mill does not and is probably not even aware there was a problem in the first place.

How do we, in the Stelco Group of Businesses, manage this process? We ensure that each and every shipment meets the voluminous and demanding regulations of the U.S. Department of Commerce (DOC). Each and every transaction for all our sales is cross-referenced by a sophisticated computer model. What I am holding here in my hands is a page from an actual computer printout for just one product which we had to submit to the DOC. It's 60 columns wide and 60,000 lines deep and encompasses 3.6 million computer entries that had to be compiled in order to meet the requirements of the U.S. regulatory system.

Meeting these rigid demands imposed by the U.S. constitutes an enormous expense for Canadian exporters, in terms of both the financial and human resources that must be committed to this undertaking. These laws and regulations are among the most formidable non-tariff barriers I can think of and as I said at the beginning of my remarks you ignore them at your peril!

So, where do we go from here? There is available to Canada an option that would at least have the merit of creating more of a level playing field for Canadian manufacturers. Quite simply, the federal government must change the processes associated with administering Canada's trade laws to bring these into line with the process employed by the United States. There is ample precedent for such an initiative because this is precisely what Mexico did before the ink was even dry on its signature to the NAFTA. Let me emphasise I am not advocating changing Canada's trade laws. There is no need to change them. I am advocating that they be administered in the same way that our NAFTA partners administer their laws.

In urging such a course of action on the federal government, we are not acting in any spirit of tit-for-tat pettiness. To the contrary, we see this as an urgently required measure pending what I still hope will be an eventual end to the economic insanity of producers within a free trade environment in an integrated North American economy and marketplace slapping anti-dumping actions on each other.

Has this imbalance created any problem? Yes. In the past two years, steel imports into Canada have reached a record level of 30 per cent of Canadian consumption. Two-thirds of these imports are coming from the U.S. at the same time that Canadian steel exports to the U.S. are steadily declining. If this trade resulted from market forces and was fairly traded, I would have no complaints. However, a significant proportion of these imports are being dumped according to information provided by Revenue Canada. We are also seeing dumped product being imported into Canada from offshore, processed and then trans-shipped into the U.S. under the guise of being Canadian-produced. This, in turn, further exacerbates Canada-U.S. trade relations.

Let me conclude by urging all of you here this afternoon to join us in making representations to the federal government to bring the application of Canadian trade laws into line with that of our NAFTA partners. This is in the interests of all of us, because, as I have already indicated, what applies to five per cent of Canadian exports into the U.S. segment of the North American market today, can just as easily apply to the other 95 per cent of these exports tomorrow.

The appreciation of the meeting was expressed by Carlyle Dunbar, Financial Journalist and an Honorary Director, The Empire Club of Canada.

Journalist Diane Francis with Empire Club Director and Chairman of the Year Book, Ed Badovinac.

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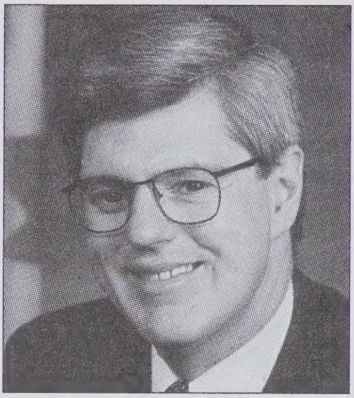
Empire Club President David Edmison and Bill Brock, Vice-Chairman of the TD Bank watch guest speaker Fred Telmer.

Head table guests Edward Reeser, Vice-President, Timminco Ltd., Leland Ausman, Honorary Director, The Empire Club and George Kennedy, Consul General, the United States of America.



February 29, 1996

The Hon. John Manley

Minister of Industry

ECONOMIC AND SOCIAL CHALLENGES FACING CANADIANS

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Michael Linderman, Chairman, Object Oriented Committee York Technology Association and author of "Developing Visual Programming Applications Using Smalltalk"; Letizia Roppa, grade 12 student, Central Commerce Collegiate Institute; Katherine Braid, Executive Vice-President, CP Rail System; Ian Scott, President, Electrolyser Corporation; The Very Rev. Douglas Stoute, Dean, St. James Cathedral; John Campion, Partner, Fasken Campbell Godfrey and a distinguished Past President, The Empire Club of Canada;; Gerry Meinzer, President, Smart Toronto and Past President, Metropolitan Board of Trade; Paul Cantor, Chairman and CEO, National Trust Company; Douglas Todgham, Vice-President, The Canadian Institute for Advanced Research and a Director, The Empire Club of Canada; Suzanne Labarge, Executive Vice-President, Royal Bank of Canada; Courtney Pratt, President, Noranda Inc.; Khalil Barsoum, President and CEO, IBM Canada Ltd.; Tony Comper, President, Bank of Montreal; and Paul Lucas, President and CEO, Glaxo Wellcome.

Introduction by David Edmison

On February 17 of this year, Garry Kasparov, reigning world chess champion won another tournament. And while it's safe to say that chess hasn't the broad public appeal of, for instance, NFL football, this particular tournament captured the attention of millions of us around the globe. Why? Well, in this particular match the eyes of the world were focussed, not on Kasporov, the champion, but on his opponent, an unknown on the world chess stage—a tough competitor, nick-named Big Blue. As most of you know, what made this match different and so historic, was that Big Blue is a computer. And make no mistake about it, this is not your everyday PC with a hard drive full of word-processing programmes and the mandatory solitaire game. Big Blue is capable of assessing an incredible 200 million moves in one second. That notwithstanding, Kasporov won the tournament, but not without some difficult moments. Count one for the human race.

But while this time, the very human virtues of instinct, cunning, passion, experience and, yes, pure intellect triumphed over the awesome power of Big Blue, the event itself became a showcase of another technology far more profound in its effects on our world. I refer to the internet. Throughout this tournament, an estimated six million people around the globe followed every move on the worldwide web. With each move, the chess board on our screens was immediately updated. Given that chess isn't exactly action-packed, between moves, net surfers could click a button and play their own games against a computer with thanks to hot links to a number of challenging game sites.

Yes, the information age has ushered in changes so far-reaching, it's almost impossible to predict what's coming next! And with the rapid rise of emerging technologies comes emerging challenges for our government leaders as they wrestle with policy direction and struggle to keep up with this ever-changing part of our world.

With us today is the man who rides the pace car on the information highway, our Minister of Industry, The Hon. John Manley. Mr. Manley leads a critically important ministry, establishing an environment, through policy and legislation, in which Canadian industry can remain on the leading edge and compete in a global market that grows day by day.

First elected in 1988 and then re-elected in 1993 as Member of Parliament for Ottawa South, John Manley was appointed to his current post in November of 1993. His department combines the responsibilities previously held by the ministers of Communications, Consumer and Corporate Affairs, Tourism and Small Business, and Industry, Science and Technology. He is also responsible for a variety of government agencies including the Standards Council, the Canadian Space Agency, the National Research Council, Statistics Canada, the Federal Business Development Bank, the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council. As you can well imagine, like Garry Kasporov's recent opponent, Mr. Manley must be capable of assessing over 200 million moves a second.

Needless to say our guest is a busy man who is always promoting Canada's place in the new economy. He has played a key role in developing a new long-term Space Plan with a commitment to improve our country's great strengths in high technology. He's working hard with other government departments and agencies to optimise science and technology policy as it applies to small and big business.

Prior to entering public life, Mr. Manley was a partner in an Ottawa-based law firm and lectured on taxation at the University of Ottawa. He and his wife, Judith, live in Ottawa South with their three children.

Unquestionably, the information age is here and the information superhighway is taking us where we've never been. Some of us are already in the passing lane, some of us are approaching the on-ramp, and some of us are terrified to turn on the key. It's an exciting yet confusing time but one of untold opportunity. In August of 1970, standing before this very podium, Captain James Lovell Jr., Appollo 13 astronaut, commented that "True wealth is harnessed energy placed in the service of mankind." Well "energy" is definitely not in short supply in our world today. And we need strong leadership to reach out and harness it for Canada's benefit. While our guest is a champion of tomorrow's technology, he is also an advocate of a strategic, informed approach rooted in thoughtful policy and industry involvement. We're honoured that he agreed to share his vision of the future with us today.

Ladies and gentlemen, would you please welcome our distinguished guest, The Hon. John Manley.

John Manley

Thank you. It is a delight to be here.

On Tuesday, our government set out in the Speech from the Throne what we believe are the major challenges facing Canada today.

Although my appearance before you is a year later than we had mutually anticipated, it is for me welcome, given the key leadership roles played by individuals and organisations represented here, that I can follow the Speech from the Throne and talk with you about the economic and social challenges we face as our economy moves into the next century, and how we believe Canadians, working together, should address them.

These changes are not only different, but in some ways more profound than any we have faced in the past.

Within Canadian society at this time we find a pervasive sense of worry about the future. Despite many items of positive news, our people are uncertain about where their jobs will be found in years to come. This concern is evidenced in many ways, and it has wide-ranging impacts. Low levels of consumer confidence are one obvious symptom. And, I suspect that school drop-out rates, family violence and poverty-based crime are not unrelated.

Many people have the feeling that our economy is drifting, that there is no real plan and that governments and businesses are pursuing goals that do not take into account the human beings who are often the casualties of downsizing and improved competitiveness.

We are experiencing enormous and rapid change. When I say the world is changing, I am referring to changes no less dramatic than the industrial revolution of the last century. Factories no longer manufacture an entire product, but use components from several locations; liberalised trade agreements mean that companies are engaged in international competition even in local markets; and it's becoming the norm for companies to have independent departments or branches spread over the entire globe.

Information technology is changing our world. We live in a digital world now, not an alphabetical one. Increasingly, as information technologies converge and information highway networks develop, distance and location are less and less relevant.

No one can estimate the effect this fact alone will have on society as a whole. It's not an exaggeration to suggest that the internet may prove to be as significant a factor of change in communications as the Gutenberg invention of movable type several centuries ago. There is no doubt whatsoever that technology will continue to drive change in our economic and social conditions over the coming decades.

As technology radically changes the process by which we produce goods, the way we deliver services, and even the kinds of products and services we produce and consume, it presents us with enormous opportunities for growth and expansion—opportunities that the business people of this country are already pursuing successfully.

But there are also costs. People and industries who don't have the expertise and the skills can get left behind. And the resentment of workers, who for whatever reason find themselves left out of the new economy, will eventually erode the necessary political support for the very policies that are necessary for economic growth and prosperity.

This is already happening, and the evidence is seen in the Republican primary race, south of the border, where Pat Buchanon's siren call for a return to the old world of protectionism is appealing to voters who are afraid of what the future holds for them. This threat has not escaped the attention of the U.S. administration, as you would expect, in an election year. In fact, in a speech given quite recently by U.S. Labour Secretary Robert Reich, he said:

"If too many of our people feel excluded from the upside gains of a growing economy and are disproportionately burdened by its downside risks and costs, they will eventually support policies that sacrifice growth in favour of economic security—policies like trade protection, capital controls and inflexible rules of employment."

In our political context, the most frequent call is to put less emphasis on bringing down the deficit in order to create more jobs. This is wrong. Bringing down the deficit is precisely what is required if we are ever going to create long-term jobs. For our government deficit reduction is not an end in itself, but is all about job creation and economic growth. Debt means higher interest rates; higher interest rates cap the ability of the private sector to start ventures, expand existing ones, and exploit opportunity when opportunity knocks. It is in the private sector that jobs and growth will occur, because, as the Prime Minister reiterated yesterday in the House of Commons, government does not create jobs; it creates the climate for the private sector to create jobs.

Since we came into office in 1993, our focus has been on getting government right. We have followed a jobs-and-growth agenda with two clear objectives in mind—getting our fiscal house in order and building an innovative economy that means jobs—good, full-time, long-term jobs for Canadians.

So, there has been and continues to be a plan. And that plan has met with some success. The overall unemployment rate has come down from 11.1 per cent to 9.4 per cent. In fiscal terms, we are on the right track and we are meeting and even exceeding our goals. Meeting the challenge of the fiscal deficit and debt is probably our biggest collective challenge since World War II. It has meant a radical downsizing of the government of Canada. Every department and agency was asked to look for economies in their operations. It has meant reductions in every aspect of the federal government from unemployment insurance to business subsidies to transfers to the provinces.

We said we would bring the deficit down to three per cent of GDP and we are doing that. We will have the deficit down to two per cent of GDP by 1997/98. That will put it in the range of $17 billion, down from the $42 billion it was at when we took over. That is a reduction of nearly 60 per cent in just four years. And if the deficit is calculated the way the U.S. and other countries calculate theirs, based on new borrowing requirements in world money markets, the figure drops to $7 billion, or less than one per cent of GDP.

That is the best economic news this country has had for a very, very long time! Now I know we have not yet reached the Promised Land. Of course there's more to be done. As Jeffery Simpson put it in this morning's Globe and Mail, "The deficit monster remains a sturdy spine…" But this government has shown the determination to meet and exceed its targets for deficit reduction, and in so doing has begun the process of restoring the confidence that Canada had lost over 20 years in the financial markets of the world. This is, in turn, key to lower interest rates—a prerequisite, with low inflation—for sustained economic growth. The result has been improved growth, and finally in the corporate sector, an improved profit picture, a fact which should be applauded as another prerequisite to economic growth and job creation.

But frequently lately, the question put to me by the media is: "What are you going to do about the fact that corporations are making record profits and laying people off in droves?" This has led to a debate over whether corporations owe a duty to anyone other than shareholders.

When I respond, the first point I have to make is that the media impression that corporate profits are at record levels is simply incorrect. Even if we include the profits of our major banks, corporate profits as a percentage of GDP are only slightly more than half what they were 20 years ago. In 1974, they were 13.4 per cent. In 1995, they were 8.5 per cent, still lower than in 1989 when they were at 10.7 per cent. While in today's economy some profitable corporations are still reducing employment levels, one thing is clear—it is unlikely that unprofitable corporations are going to help reduce the level of unemployment. We want to see those profit levels come back up. We need to make a better effort to have everybody understand the connection between growth and jobs and the requirement that our corporate sector be profitable.

I think people accept the need for profits. And they may even understand that it will take more than one year of profitability for companies to be in a position to invest in the expansion that will put Canadians back to work. At the same time we surely need to reply to people who are asking: "Is there not more to it than just paying dividends to shareholders?" Canadians want to know that business is part of the society and community in which it functions. They want to know that business is part of the team and that business is going to reinvest a good portion of its earnings into expansion, growth and the creation of jobs.

The government's challenge to business leaders is to work with us—to apply the Team Canada model to our approach to the domestic economy. The Team Canada approach to international trade promotion is an unqualified success, not just in the intangible benefit of seeing politicians of every political colour working together with business leaders to sign contracts that will mean jobs for Canadians, but to enable us to reduce our current account deficit from $28.8 billion in 1993 to $5.1 billion in 1995. This stunning export success however is less present to Canadians than is the continuing sluggish domestic growth—less than one per cent in the fourth quarter of 1995.

Governments and the business community must work together to build the domestic economy to make sure that the economic growth we are enjoying in turn creates the jobs Canadians need over the longer term. The jobless recovery must not become the jobless expansion. After all, unless the economy produces jobs, we all lose.

The great industrialist, Henry Ford, had a simple prescription. When the depression loomed and everybody else was slashing wages and firing workers, he maintained wages and protected his employees. His fellow industrialists thought he was crazy, but his response was only that if he did not do what he was doing, "Who will buy my cars?" This is not about short-term charity; it is about long-term self-interest.

The public understands that jobs don't appear overnight, but they need to see some progress. In some circles there is a sense that cutting employees and expenditures is all business has to do and further, that business is already doing all that it can. Just as government has to be about more than just deficit cutting, business has to be about more than just downsizing and cost reduction.

Clearly there is a need for a broader vision for both government and business. I welcome the efforts of the "First Jobs" private sector group who recently shared with myself and some of my cabinet colleagues, a potential plan to create first-time jobs for young people. There are people in the business community who understand that it is in all our best interests to worry about the future for our young people, who though equipped with an impressive, not to mention expensive education, are increasingly finding it nearly impossible to get their foot in the door of their first real employer.

Our objectives as set out in the Speech from the Throne transcend the goal of deficit reduction. We believe government must remove impediments to growth, certainly, but it can and must also be a positive force—in science and technology development, in trade expansion, in helping youth... That means working to remove interprovincial trade barriers, reducing the regulatory burden, providing clear "rules of the road" for industry on things like the information highway, and in the development of new technologies.

That means helping business make better use of the new technologies as the Throne Speech indicated. We will be making specific proposals to support technology development in aerospace, in environmental and enabling technologies and in critical areas such as biotechnology. On March 11, I will be announcing the details of our technology strategy which is designed to ensure that Canada and Canadians ride the wave of technological progress rather than being drowned by it.

As the Speech from the Throne also said, we will expand the work we have been doing in selling Canadian products and expertise around the world. That requires a support system for our exporters in terms of financing and export development; a system we will continue to improve upon with an emphasis on developing new products and new exporters and attracting new foreign investment.

We will build on the success of the Prime Minister's "Trade Team Canada" which has already produced over $20 billion in new deals for Canadian business. We will continue to work to expand and improve NAFTA, continue our bilateral discussions with Chile and continue to do our part in the multilateral trade negotiations to create a more open world trading system.

But our focus is also going to be more on helping to encourage the best and brightest. We want to create a climate of opportunity for the young people of this country. They face enormous challenges, an unemployment rate double the national average and a world that seems to present fewer chances of success than a generation ago. We are committed to doubling the number of summer jobs for students this year, and we encourage provincial governments, and municipalities to do the same. We will focus these jobs on giving students experience in knowledge industries to give young people a chance to get the experience they need to become full and productive members of the work force.

For our government, the priority throughout our mandate has been to create the conditions that allow the economy to grow and the private sector to create jobs. But Canadians are seeking a vision for our future; a vision that comprehends the need for economic security; a vision that motivates our young people to pursue opportunities that the world presents and sometimes, to create opportunity for themselves; a vision in which governments play a positive role, where they share some of the risks, not shoulder all the burdens; a vision of all that we are as Canadians and where that can lead us; and a vision that is a motivating set of beliefs that is more than a targetted fall in the debt-to-GDP ratio.

As John Kennedy once said, "The task of government is to set before the people the great unfinished business of the nation." That is a task that Canadians expect their leaders to rise to. That is what the Speech from the Throne was about. It is a challenge for all of us to rise to. It is fundamentally a challenge of our will to succeed as Canadians. Working together we can pass on to our children a future as rich and precious as our parents bequeathed to us.

Thank you.

The appreciation of the meeting was expressed by Douglas Todgham, Vice-President, The Canadian Institute for Advanced Research and a Director, The Empire Club of Canada.

The Hon. John Manley with head table guest Gerry Meinzer, President of Smart Toronto.

The Hon. Mr. Justice Morden greets guest speaker Mrs. Nurjehan Mawani.

March 7, 1996

Nurjehan Mawani

Chair, Immigration and Refugee Board

CANADA'S REFUGEE DETERMINATION PROCESS

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, President, Curran & Associates and a Director, The Empire Club of Canada; Dorothy Davey, former Assistant Deputy Chairperson, Immigration and Refugee Board and current member, Ministerial Advisory Committee for the election of IRB members; Myriam Mackow, student, Adult Day School, City of York; The Rev. Dr. Malcolm Sinclair, Minister, Metropolitan United Church; Sherry Aiken, National Chair, Canadian Council for Refugees; Haroom Siddiqui, Editorial Page Editor, The Toronto Star; Zoolfikar Samji, Vice-President, His Highness The Aga Khan Ismaili Council for Canada; Anne Libby, Co-Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada; Jean Guy Fleury, Executive Director, Immigration and Refugee Board; Yilma Makonnen, United Nations High Commissioner for Refugees Representative in Canada; The Hon. Mr. Justice John Morden, Associate Chief Justice of Ontario; and Amir Kassan, President, Rambler Kennedy Properties Inc.

Introduction by David Edmison

In the parable of the two women both claiming to be the mother of a particular baby, we learned of King Solomon's wisdom as he correctly identified the true mother of the child. The legitimate parent was more concerned about the baby's safety, even if it meant not sharing a life with the child. King Solomon was able to make a choice in what seemed, at first, a difficult situation. Today, we admit 200,000 immigrants into Canada each year. We also accept 20,000 refugees from a global refugee population of 27 million people. Difficult choices have to be made, sometimes controversial choices that could result in life or, in some instances, even death.

With us today to explore the challenge of preserving public confidence in the integrity of what, for some, is a crucial lifeline, is the Chairperson of the Immigration and Refugee Board, Mrs. Nurjehan Mawani.

Our guest was born in Mombosa, Kenya. She later moved to London, England where she attended the Inns of Court School of Law and was called to the Bar at Lincoln's Inn in 1968. She was admitted as a Solicitor of the Supreme Court of England and Wales in 1973. After moving to Canada Mrs. Mawani continued her practice with a Vancouver law firm and was called to the British Columbia Bar in 1985. A year later she was appointed Vice-Chair of the former Immigration Appeal Board and was subsequently named Deputy Chair of the Immigration and Refugee Board. She has held her current position as Chairperson since 1992.

Mrs. Mawani is a human rights activist and has pioneered many initiatives, particularly in the area of human rights violations against women. The Board's publication "Guidelines on Women Refugee Claimants Fearing Gender-related Persecution" has been widely acclaimed. She is a much sought-after speaker at both national and international conferences.

Our guest is on the boards of the Canadian Institute for the Administration of Justice and the Canadian Council of Administrative Tribunals. Despite her busy schedule she finds time to volunteer her talents to a number of professional and volunteer organisations, such as Science World British Columbia, the Canadian Centre for Philantrophy and the Aga Khan Foundation.

Mrs. Mawani has received a number of awards during her distinguished career. She is the recipient of the Vancouver Society of Immigrant and Visible Minority Women's Award for Outstanding Achievement; the American Immigration Lawyers Association's 1993 Human Rights Award; the Humanitarian of the Year award from the Indo-Canada Chamber of Commerce; and the YWCA Woman of Distinction Award. Our guest was awarded the Order of Canada for her contributions to Philantrophy and in addition she has been recognised by His Highness the Aga Khan for services rendered to the Ismaili community.

In her present capacity as Chairperson of the Immigration and Refugee Board our guest has the unenviable task of choosing who, among the many thousands who apply, has a legitimate claim to refugee status in this country. It is a task that almost requires the wisdom of King Solomon.

Ladies and gentlemen, will you please welcome our distinguished guest, Mrs. Nurjehan Mawani.

Nurjehan Mawani

Good afternoon, ladies and gentlemen.

To begin I would like to thank The Empire Club for the opportunity you have afforded me to carry my message to this wonderfully diverse global city.

From the mundane to the extraordinary, each one of us makes decisions each and every day. Today, in hearing rooms across the Greater Toronto Area, my colleagues on the Immigration and Refugee Board are rendering decisions that will profoundly affect the lives of the individuals who appear before them. Minutes from now, 40 members of our Refugee Division will begin hearing the testimony of refugee claimants. Information from a vast network of national and international sources is being directed into those 20 hearing rooms—helping members make fair, well-reasoned decisions in accordance with the law. Board adjudicators will conduct more than 30 immigration inquiries and another 14 detention reviews. Some parties who appear before our adjudicators today may be required to leave Canada, while others may be ordered to stay in detention.

Members of our Appeal Division will, in a few moments, begin to conduct six separate hearings. Most of these will deal with appeals from Canadian citizens or permanent residents whose applications to bring close family members to Canada have been turned down by the Department of Citizenship and Immigration.

Day-in and day-out we sustain this level of activity. This year more than 30,000 claims will be referred to our Refugee Division and, in total, our three divisions will process more than 50,000 cases in 1996. It is in this realm of high-volume decision making that the women and men of the Board's three divisions carry out their mandates on behalf of all Canadians. Today I would like to give you an update, particularly on the work of our Convention Refugee Determination Division.

The message I bring to you is a simple message. It is to tell you that Canadians have developed the best refugee determination process in the world. Ours is a process that mirrors the finest qualities of the Canadian character. It is a process that is respected globally—one that has provided international leadership where few others would venture to tread. I feel especially fortunate to have the opportunity to lead this organisation. I am immensely proud to be a part of Canada's response to one of the great humanitarian challenges of our time.

International Context

In 1996, the refugee challenge is without precedent. The numbers are staggering. They continue to grow. Last year, the United Nations High Commissioner for Refugees (UNHCR) reported that there were 27 million refugees worldwide. That is an increase of eight million over the last two years and it represents a 10-fold increase from the Cold-War era. Courtesy of television, we are all witnesses to modern tragedy—chaos in the Balkans, civil war in Sri Lanka, anarchy in Somalia and genocide in Rwanda and Burundi. What you might be surprised to learn is that the top refugee-receiving nations are all third-world countries. UNHCR figures from 1994 show that Iran ranked first with 2.2 million refugees within its borders. Zaire ranked second and Pakistan third. The only industrialised country in the top eight was Germany, which had just over one million refugees in the country, of whom

430,000 made their refugee claims in 1994 alone. In comparison, Canada received just 22,000 claims the same year.

Our refugee determination process and others like it do not represent the "answer" to the refugee issue. We are a response to only one aspect of an international challenge. More important are the decisions taken by governments around the globe—decisions that attack the root causes of displacement and the social and economic inequities that undermine the stability and development of communities. This requires an international effort of Herculean proportions. Meanwhile, here in Canada, we continue to face the immediate and practical challenge of responding to those in urgent need of our nation's protection.

The Board and Its Role

The Immigration and Refugee Board is an essential component of Canada's response. Quite simply, we are at the heart of Canada's refugee determination process. In 1988, Parliament established the Board as a quasi-judicial tribunal. Parliament's objective was to create a specialised tribunal, with the expert resources required to effectively assess refugee claims, independent of the Department of Citizenship and Immigration. The fundamental task of our Refugee Division is to make fair and well-reasoned decisions on refugee status. Our panels determine whether a refugee claimant meets the definition of a refugee as set out in the United Nations Convention. Convention refugees are people who, because of a well-founded fear of persecution due to their race, religion, nationality, membership in a particular social group or political opinion are unwilling or unable to return to their country of nationality or former habitual residence. When the Convention speaks of persecution it is referring to a serious violation of fundamental human rights.

Public confidence in the integrity, as well as the efficiency of our refugee determination process, is crucial to public support. Our challenge has been to pursue fairness in the conduct of our process while ensuring that we safeguard and preserve the integrity of the immigration and refugee system. For seven years, we have achieved that balance. The issues that we confront in the hearing room are complex. We are constantly challenged to remain sensitive to the vulnerability of refugee claimants. Many of the women, men and children who appear before us come from different cultures with different languages and traditions. They often come from situations where they do not deal with authorities on their own. In fact, they often come from countries where people in positions of power and authority are feared and mistrusted.

Female refugees, who may have suffered physical abuse, rape or torture, frequently find it very difficult to recount their experiences, especially when they come from communities that ostracise women who have suffered sexual violation. Our members must assess not only what transpired in the past, but look ahead, to assess what could happen in the future.

Decision making is never easy when someone's life or freedom could hang in the balance. Recently a young man told a Refugee Division panel in Vancouver that he feared arrest if he was returned to China. For five years he had served as a member of a local birth-control committee, helping to enforce his country's one-child policy. His job, he said, was to arrest pregnant women who were in violation of that policy, regardless of the stage of the pregnancy, and to send them to a local hospital to undergo forced abortions. The parents of one of his prisoners pleaded with him to release their daughter, a woman eight-and-a-half months pregnant. The claimant said he released the girl before her abortion could be performed. After helping her, he fled China. The claimant feared arrest and punishment because of his humanitarian act, but he openly admitted to the panel that he had participated in forcing abortions on women for more than five years. In considering this case, a decision maker would have to determine whether the claimant feared prosecution by the authorities for failure to do his job, or whether he feared persecution because of his political opinion. Is a person who has participated in such activities deserving of Canada's protection as a Convention refugee? Would you grant Convention refugee status to such a claimant?

Guidelines

Recognising the complex nature of decision making at our tribunal, we've worked hard to develop measures that help to ensure fairness and consistency in our decisions. Our members, who serve as independent decision makers, are supported by highly specialised training programmes. From Vancouver to St. John's, board members have access to world renowned documentation centres where information on country conditions from around the globe is constantly renewed. In fact, both the Americans and United Nations have used our centres as models for their own facilities. We have the capacity to hear cases in over 90 different languages and dialects. We continually monitor—assessing the consistency of decisions throughout the Board. We are always looking at emerging issues such as those that pose a unique challenge to decision makers. We also look at issues where there may be either an absence of jurisprudence or some ambiguity.

To help respond to those kinds of issues, in 1993, Parliament gave the Chairperson of the IRB the authority to issue guidelines. Guidelines are an innovative tool to assist members in their assessment of claims. They recommend an approach to deciding cases that involve a particular issue or set of issues. They not binding because board members, like judges, are independent decision makers. Nonetheless, members are expected to consider guidelines when deciding a claim.

Three years ago this month, after extensive consultations, the Board issued its first set of guidelines. They confront the tragic reality of violence against women and are applied to cases of women refugee claimants who fear gender-related persecution such as bride-burning, forced abortion, female genital mutilation or rape. To date, the number of people accepted in cases where these guidelines were applied has been small—less than two per cent of those referred to our Refugee Division. Our first set of guidelines has been hailed by the United Nations High Commissioner for Refugees (UNHCR) as an important advance in refugee protection. Last summer, the United States adopted a similar set of guidelines based on our work. In fact, less than two weeks ago, at a UNHCR-sponsored Symposium on Gender-Based Persecution in Geneva, we learned that three other countries, namely Switzerland, Australia and New Zealand, are on the verge of adopting guidelines and that many others are developing a gender-sensitive approach similar to ours.

Civil War Guidelines

Today, I am equally proud to announce the issuance of our second set of guidelines. They will be known formally by the rather long title, Guidelines on Civilian Non-Combatants Fearing Persecution in Civil War Situations. Like our first set of guidelines, these have been developed following extensive external and internal consultation. They will be used to assist members in dealing with cases of people fleeing the persecution and terror of civil war. Determining refugee status when the claimant fears return to a civil-war situation is very complex. Civil wars are often waged for the very reasons that a person fears persecution—religious or ethnic reasons. Clearly, everyone living in a war zone has some risk to his life.

We all remember the anarchy we saw in Somalia. The situation there was such that all the clans in Somalia were fighting each other and all the clans were victims. There was no state apparatus to offer protection to anyone. How do you determine refugee status when a country is in anarchy—when all clans are fighters and all clans are victims? For example, a refugee claimant belonged to one clan that lived in Kismayo. Another clan attacked the city. The man was not home at the time of the attack, but when he returned he found the bodies of his wife and father. He fears that if he returns to Somalia, he also will be killed. The guidelines recommend that our members not compare the risk of persecution of claimants, like this man, with the risk of other individuals or groups in his country of origin. There should not be a comparison between who is more at risk or who is differentially at risk in a civil-war situation. It is not a question of whether an individual or group is facing more problems that anyone else in the country. The issue to be resolved is whether the claimant, either individually or as a member of a group, is being targetted for persecution. If the claimant is being targetted for persecution then it does not matter that other groups are also being targetted.

While today's Civil-War Guidelines mark an important advance in refugee protection, they only address a narrow, but important, legal issue. They do not exempt individuals from the need to present convincing proof of their refugee claims. Nor do I expect that these guidelines will have a significant impact on the number of claims accepted by our panels.

Emerging Issue

Recently the Board has experienced a marked increase in the number of unaccompanied children in our hearing rooms. They pose a unique challenge since they represent a particularly vulnerable group in society, but even within this group, the complexity of the cases demands careful deliberation. For example, in one recent case, a 15-year-old South American claimant told a Refugee Division panel, here in Toronto, that he had been recruited by the army to interrogate people. After the interrogation, he turned the prisoners over to a specialised army unit. The claimant admitted to knowing that the unit almost always tortured and killed these individuals. Could this 15-year-old truly understand the consequences of his actions? Should we hold him accountable for those actions? Would you grant him Convention refugee status? This is a difficult and complex case, and it captures the challenge our panels face in ensuring fairness, while preserving the integrity of our refugee determination process.

Safeguards

At the Board, we are keenly aware of the importance of this balance. Public trust and confidence in our refugee determination process rests on it. That's why various mechanisms were built into the design of our immigration and refugee legislation—to help us uphold the integrity of our system. The mix of measures that we employ at the Board are complemented by the work of the Department of Citizenship and Immigration. The Department supervises entry to the refugee determination process. It is the Department that makes an initial assessment to determine whether a newly arrived claimant is eligible to be refugee to the Board. For example, if the Minister finds a person to be a danger to Canada, or if he already has refugee status in another country, then he is ineligible to seek status here.

At the Board, a Refugee Division panel has the obligation to determine questions of exclusion. Exclusion is a legal concept established in international law. Individuals who we have reasonable grounds to believe have participated in war crimes, or in crimes against humanity, such as torture, can be denied protection as a refugee. Exclusion also applies to individuals who have engaged in acts that are contrary to the purposes and principles of the United Nations. For example, our panels were the first in the world to invoke the exclusion clause to deny Convention refugee status to people who had participated in international drug trafficking.

In the case of the 15-year-old South American claimant that I mentioned a moment ago, the Refugee Division panel excluded him on the basis that he was an accomplice in crimes against humanity. That decision was upheld by the Federal Court of Canada.

The Department of Citizenship and Immigration can also apply to the Board to have refugee status revoked if it believes that an individual has obtained refugee status based on fraudulent or misrepresented information, or on the basis of suppressed or concealed facts. Over the past few years, the Immigration Act has been modified several times to ensure that adequate safeguards are in place to protect the integrity of our immigration and refugee system.

Conclusion

My objective this afternoon has been to report to you the role that the Immigration and Refugee Board plays in honouring our country's international obligation to refugee protection. IRB members and staff represent the whole of Canada's community. They bring to the Board a wide range of experience and perspective. I would like to take this opportunity to commend them for the high degree of objectivity, professionalism and commitment with which they carry out their responsibilities in a field which has been described by experts as among the most difficult forms of adjudication.

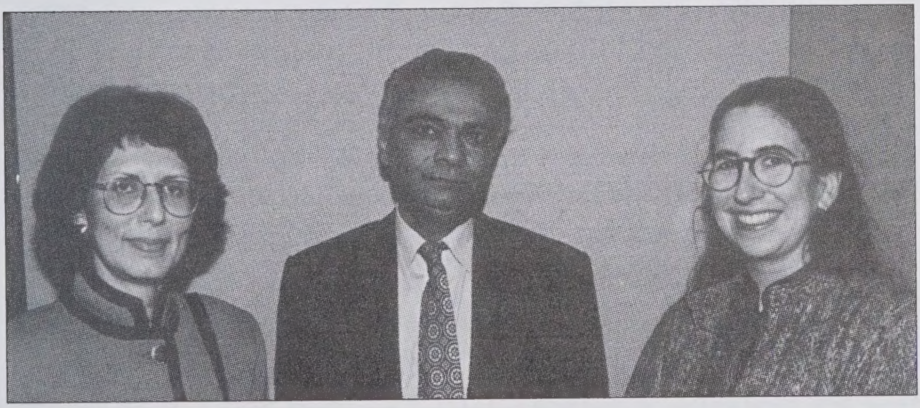
My intent has been to demonstrate that the Board's work in the field of refugee determination has contributed to the leadership role Canada plays in the international community. Today, as other countries turn to Canada for insights into the development of refugee determination systems, we have an obligation to preserve the fairness and integrity of the process we have built and the quality of the decisions that we make.

At the IRB, we are committed to achieving that goal in a manner that does honour to our country.

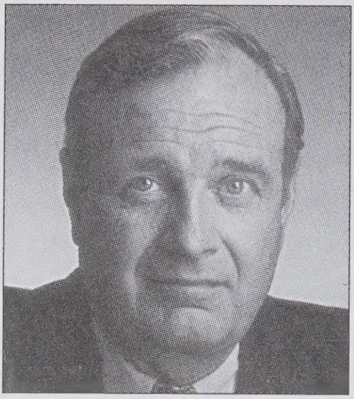
Thank you

The appreciation of the meeting was expressed by Ann Curran, President, Curran & Associates and a Director, The Empire Club of Canada.

Dorothy Davey, former Assistant Deputy Chairperson, Immigration and Refugee Board with Mrs. Mawani.



Mrs. Mawani with fellow head table guests.



March 8, 1996

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Paul Martin

Minister of Finance

THE FEDERAL BUDGET

Chairman: **Libby Burnham**
President, The Empire Club of Canada

Head Table Guests

Michael K. Edwards, President, Richardson Greenshields of Canada Ltd.; Rosemary Speirs, National Affairs Columnist, The Toronto Star; Erhard Buchholz, President and CEO, Canada Lands Company Limited; Catherine G. Barbaro, Corporate Commercial Lawyer, Cummings, Cooper, Schusheim & Berliner; Tom Rahilly, Vice-Chairman, Richardson Greenshields of Canada Ltd.; Lyn McLeod, MPP, Leader, Ontario Liberal Party; W. Thomas R. Wilson, Partner, Weir & Foulds; Julie Morris, Publisher, Beach Town Crier Community Newspaper; Beth Foulkes, Junior Clerk, Monenco AGRA Inc.; Reverend Dr. Lillian Perigoe, Minister, Lawrence Park Community Church; Bill Laidlaw, Director of Government Relations, Glaxo Wellcome and a Director, The Empire Club of Canada; and David Edmison, Investment Counsellor, Martin, Lucas & Seagram Ltd. and President, The Empire Club of Canada.

Introduction by Libby Burnham

Paul Martin

Thank you very much Libby. Members of the head table, ladies and gentlemen:

First of all the budget clearly demonstrates that we will hit our three-per-cent interim target for 1996–97. It also shows that we will hit our new target—two per cent, in 1997–98 or $17 billion. In the budget we announced actions which will enable us to go beyond these targets to keep us moving towards budget balance. To that end we announced in the budget that we would be cutting departmental spending by a further $2 billion over and above the very substantial savings which were secured in our first two budgets to take effect in 1998–99. In 1993–94, government spending on everything but the interest on the debt stood at $120 billion. By 1998–99, we will have reduced that to $105.5 billion and that will mean six consecutive years of absolute decline in programme spending. Because we have focussed on spending cuts and not tax increases over the three budgets taken together, we have cut seven dollars in spending for every one dollar in new revenues. In fact in this budget we did not increase taxes at all. We have not relied on tax increases; we have not relied on rosy forecasts. Our economic assumptions are once again more prudent than the private sector and we have put in place substantial contingency reserves.

There are very clear pay-offs in hitting these deficit targets. One of the most significant, perhaps not given enough attention, is the dramatic decline in the amount of new money that the government must borrow each year on financial markets. This measure of financial requirements is the way that most other major countries—the United States, the United Kingdom, Italy, France and Germany—calculate their deficits. In 1993–4, the year that we came into office, Canada's financial requirements stood at 4.2 per cent of Gross Domestic Product or $30 billion. By 1997–98, our financial requirements will drop to 0.7 per cent of GDP or $6 billion and, relative to the size of the Canadian economy, our new borrowing requirements will be at their lowest level in almost 30 years. Measured on this basis Canada will have the lowest fiscal shortfall projected for any G-7 country. And let me assure you this is only the beginning. On the deficit we are keeping on course; we are not going to let up. The attack on the deficit is irrevocable and irreversible. We will balance the books. There should be no doubt about that but we will also go beyond that, because we have to put the debt-to-GDP ratio, that is to say what we owe as a percentage of what we produce, on a constant downward track.

It is important to note that today's fiscal progress is much more than simply a federal effort. It is a national effort. It is one that is supported by Canadians across the country and no matter what their political stripe. Every single province and territory in the land now has as its primary goal the return to fiscal health and the results are striking. In 1993, Canadian business and governments borrowed $29 billion abroad. This was reduced to $13 billion in 1995 and it will be reduced again next year and the year after that and the year after that. In fact I was quite struck at the last meeting of finance ministers when we went around the table. Every single finance minister essentially talked about the extent to which they were either achieving budget balance or how close they were getting to it. That was the goal they sought. It is really quite a story for Canada because about a week earlier I had been at a meeting of OECD nations in Europe and there was no such common effort; there was no record of success comparable to that which we had in this country. This is a story that we really have to get out to the markets of the world. Not only the federal government but all of the provinces and territories have really come together and, I believe, in the next couple of years we will have one of the most attractive financial records of any industrial country. That is something of which Canadians can be very proud.

Now they're the budget numbers. That's not, however, the end of the budget story. We have always said that fiscal health is not an end in itself. It is simply a means to an end. It is to give us the strength to move on; to address problems before they arise; to manage ahead. Our goal is the goal that we share, I know, with each and every one of you—to prepare Canada for the new millennium, for a new economy and to cope and to succeed in an era of unprecedented change. What we have sought to do in our budgets is not simply reduce our spending but to restructure our spending to meet the needs of the nation. Clearly one of these needs is to preserve and to strengthen our social programmes—health care, post-secondary education, and assistance to the poor.

In last year's budget, the Canadian health and social transfer was created. It was designed to put our federal transfers for these areas on a sound footing and to give the provinces greater flexibility. The framework of the CHST is now in place and our challenge and commitment is clear. It is to do what the prime minister promised and that is to now set up a long-term funding arrangement for this transfer that is stable, predictable and sustainable. To that end the budget will be put in place—a firm funding commitment for the CHST to cover the five-year period beginning in 1998. For the first two years of that period we will maintain the overall CHST entitlement, that is to say tax points and cash, constant at $25.1 billion. For the remaining three years of the framework, total transfer entitlements will grow each and every year through an escalating formula at an increasing pace. At the same time we will provide a legislative guarantee that the cash component of that transfer will never be lower than $11 billion. This will put an end to the automatic decline that occurs as the tax points increase in value while the cash component declines. As a result of this, the provinces will not only benefit from the increasing tax points but from the cash guarantee. Canadians can have confidence that as we enter the next century the commitment of their national government to health care, to post-secondary education and to social assistance will be intact and will be strong.

We have also addressed the commitment to provide a new approach to allocating the CHST transfers among provinces (a particular concern in this province)—one that addresses the funding disparities resulting from the limits on transfers. This new allocation will be phased in during the course of a new five-year transfer arrangement and the current disparities in funding among the provinces will be reduced by half. We are willing to examine with the provinces further refinements to the allocation that may well be appropriate.

The next structural area we are looking at is our system of public pensions. There is widespread anxiety among the young in this country as to whether or not the public pension system will be there for them when they retire. Confidence in the public pension system must be restored. The challenge is very clear. It is one of sustainability.

First, the Canada Pension Plan must be put on a sound financial footing. This will occur. Our government does not share the view of those who believe that the CPP cannot be fixed; that it should be abandoned. We do not believe that the right to a secure retirement should only be the preserve of those who are well-off.

The second pillar of the pension system is Old Age Security and the GIS. This is funded from general government revenues and here too rising costs have led to concerns that these pensions are at risk. Our obligation is to put those concerns to rest. We are proposing a new seniors' benefit to take effect in the year 2001. The new seniors' benefit will be tax-free and it will be completely separated from the tax system. It will incorporate the

OAS, the GIS, the pension income credit and the age credit. Under the new system it will be fully indexed to inflation—an improvement for all seniors who worry about eroding benefits. The partial indexing of a claw-back threshold will therefore cease to be an issue. The new seniors' benefit will be paid monthly and, in the case of couples, it will be divided equally between each spouse. Each will receive a separate cheque. It will be a fairer system. It will be based on total income as the GIS has always been. We believe that since the incomes of low-income couples are currently combined to determine eligibility for additional benefits it is also appropriate to combine the incomes of higher-income couples to determine their level of government support. The new benefit will be designed to protect low- and modest-income Canadians. Almost all of them will receive slightly more. In fact those currently receiving the supplement will receive $120 more a year. Seventy-five per cent of seniors will be as well or better off. In fact most will be better off. For instance nine out of 10 single women will be better off under the new system. High-income seniors will receive somewhat less; the more income they have from other sources the less they will receive and the very highest-income seniors, roughly nine per cent, will no longer receive government benefits.

The prime minister promised Canadians that no current seniors would have their OAS or GIS payments reduced. Our proposal in fact goes one step further: not only will the pension benefits of every single Canadian over age 65 today be protected, but so too will the pension benefits of every Canadian who reached age 60 before January 1 of this year and their spouses no matter what their age. The government will give these Canadians a choice of whatever system is more advantageous to them. We believe we have now set up a system that will be fair, certainly more sustainable and more secure. We believe that is the hallmark of the social policy reforms that government must bring into the era in which we live.

These initiatives, whether it be deficit reduction, changes to the public pension system or transfers to the provinces, are really part of a far greater plan. They are part of the very necessary overhaul of the structure of government spending. As the evolution of the nation-state occurs, so too must the role of its national governments evolve. I would ask you to look at the cumulative effect of our three budgets in terms of the structural changes. We have transformed the role of the nation's government in transportation. We have moved from ownership and operation where it is no longer needed to effective policy setting where the role of the government must remain. We are changing the support structure for agriculture so that our farmers in rural Canada will be better able to adjust to an open world market. We have brought defence spending and policy more in line with the reality of the post-Cold-War world. We are reforming the old system of unemployment insurance so that it becomes more effective and enables Canadians to get back to work. These structural changes furnish the country with programmes that it can afford not only for the short term but for the long term. They help insulate and protect those programmes from the pressures which are created by changes in the business cycle and they strengthen our society and our economy to meet the demands of the new millennium. They have been guided by certain key principles—one, the need to be fair, and the second, the requirement to provide time for planning and adjustment.

There is one structural problem that I have not talked about yet, however, and that is the question of jobs. This morning the February employment numbers came out and they're quite good. The employment numbers grew by some 44,000 jobs in the month of February. Half those jobs were in areas dedicated to young people and what that really means is that since December over 135,000 new jobs have been created in this country. Those are pretty good numbers, but they are not good enough and, looking ahead, one of the challenges, the greatest challenge facing Canadians and their governments is the changing nature of work. Around the world on every continent we are facing a revolution whose scope, depth and magnitude rivals that of the industrial revolution itself. Some see this as a revolution about new opportunity, but others fear it as a revolution about lives lost. What we have to ensure is that Canada is on the vanguard of this revolution and not one of its victims. We have to work together to make sure that the new economy is also an economy that creates new jobs.

Clearly, despite all of our problems, the economic climate in the country is getting better. Balance sheets are improving, interest rates have come down over three percentage points in the past year, inflation is at one of its lowest levels in over 30 years and we are more competitive; in fact we are more competitive with the United States than we have ever been since records were kept. The point is, however, that in this era of globalisation, of competition and of rapid change, each and every one of you know so very very well, focussing on the fundamentals is absolutely necessary. In addition to consolidating our fiscal position in the last budget we announced that we would be strengthening three areas of government emphasis to enable Canadians to manage for the future. They are not being funded by new money. They are being funded by reallocated existing resources, whether they are on the tax side or on the spending side.

First, we are investing in our youth, in learning and in the transition from school to work. The success of our economy depends on them but at the same time their success will depend totally on how much they are able to participate in the new economy as it develops.

Second, we are investing in technology, because one of the greatest challenges that we face is to make Canada one of the most innovative countries in the world. What we really have to do is to change the economic culture of the land.

And third we are investing in trade, because for a country like Canada, one that trades as much as we do, trade policy is effectively industrial policy.

That summarises the budget: a framework for a more productive economy in society, one based on fiscal health, one based on successful social programmes and a government focussed on the key national priorities, the most important of which we believe to be the framework for jobs.

Budgets are only a very small part of the answer to the very deep anxieties that grip our nation. The fact is success for countries is no different than success for families, communities, individual citizens or businesses. It is based, above all, on one thing—the constant setting of goals and the meeting of new challenges.

Successful countries do a lot more than simply occupy a place on a map. They live in the souls of their people because they are relevant to the betterment of their lives. I believe that the real problem is not that we have failed to meet the goals that we must set. It is that too often we have failed to set the goals that we must meet. With that in mind, I would ask you now: "Is it beyond this country to decide that in 10 years our medicare system will not simply survive but that it will be the most successful in the world, with a record in cure and prevention that is second to none?" I would ask you: "Can we not decide together as a nation that in 10 years from now our streets will be the safest as they can possibly be—not because we have more prisons or more police but because we have addressed directly the sources of crime?" I would ask you: "Can we not decide that in 10 years Canada will be regarded as the world leader in bio-technology, in environmental technology or in the cultural industries of the multi-channel universe? Can we not decide that 10 years from now increasing child poverty rates will be a thing of the past, that illiteracy will be erased from our communities and that when it comes to international tests our students will not only do fine work but they will be among the finest in the world?"

You may ask me: "Why ask these questions in a budget speech which is supposed to deal with numbers and the hard realities of life?" Well the answer is that we will restore this nation to fiscal health but a nation is a great deal more than a balance sheet. It is the shared aspirations of all of its people. It is excellence in all of its forms and our challenge today for the sake of our young is to make Canada once again a place of great expectations—a country where once again our children will believe that they have the opportunity to do better than their parents. The history of Canada is that we have done that in the days when we dared to speak of a national dream and then we went out and built it and the days when we aspired to a kinder society and we went out and created it.

What I would say to you is that it is now time to move forward again—to arrive not simply at a common understanding of what we are but what Canada can be. We have to set large national challenges, not small ones, because it is only by reaching as high as we can that we will be able to tell our children how far they can go.

That I believe is the challenge all of us must meet. It does not belong to any one of us alone. It does not belong simply to a budget. It belongs to everyone in this country together.

Thank you.

The appreciation of the meeting was expressed by David Edmison, President, The Empire Club of Canada.

Madam Chair, honoured guest, Reverend Perigoe, distinguished head table guests, members and friends of The Canadian and Empire Clubs:

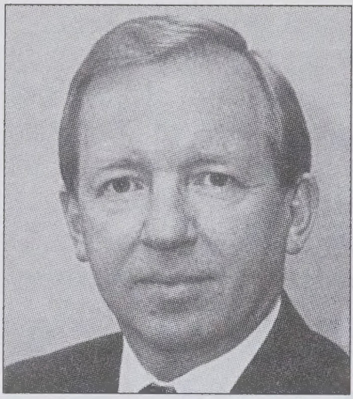
Sophocles wrote many years ago: "Show me the man who keeps his house in hand; he is fit for public authority." I think if our guest was living in those times he would get full marks from Sophocles for his efforts to keep our fiscal house in order. Which is a good thing for you, Minister, because if they didn't like what you said or did in those days they politely asked you to drink poison hemlock! Today, of course we are far more civilised; we leave this task up to editorial boards and their sometimes poison pens!

Minister, clearly you have one of the most difficult jobs in government. You are charged with the stewardship of our financial well-being. Its importance cannot be understated and it truly requires someone "fit" for public authority. In your budget presentation on Wednesday you closed with the words: "We are stewards of the national interest." The word steward comes from the ancient biblical word "sty word" which meant keeper of the barnyard. In ancient times the barnyard was the very essence of survival. If it was not well maintained, one did not survive.

We would, of course, never refer to a beautiful country like Canada as a barnyard, but there are some who feel that there have been too many feeding from the public trough. We clearly have to make changes and sacrifices to maintain our fiscal integrity.

Minister, you have set a course which will reduce our dependence on debt and lead us towards a balanced budget by the end of this century. You have said in the strongest words possible that your government will never let up on this course. I know I speak for all of us when I wish you the very best in the task ahead so that we may, and I use your words "open the doors for our children." On behalf of The Empire Club and Canadian Club, I thank you for addressing us today and the stewardship you are exercising on our behalf.

Libby Burnham, President, the Canadian Club of Toronto, The Hon. Paul Martin, Minister of Finance and David Edmison, President, The Empire Club of Canada.



March 28, 1996

Ken Hull

President, Hibernia Management and Development Company Ltd.

LEADING A NEW INDUSTRY INTO A NEW CENTURY

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Alex Squires, Security Analyst, Brenark Securities Ltd. and a Director, The Empire Club of Canada; Marc Rigaux, OAC student, Oakwood Collegiate Institute; The Rev. Dr. Harrold Morris, Past Moderator, Presbyterian Church of Canada and President, St. Andrew's Society; Peter Kent, Anchor, Global News; Allan Bonner, President, Allan Bonner Communications Management Inc.; David McFadden, Partner, Smith Lyons Torrance Stevenson & Mayer; Monty Larkin, C.A., Honorary Director, The Empire Club of Canada; Duncan Mathieson, Analyst, Gordon Capital; Peter Watkins, Managing Partner, Eastern Canada, Ernst & Young; and Michael O'Leary, Managing Director, CIBC Wood Gundy, and Executive Vice-President, CIBC.

Introduction by David Edmison

Throughout the ages, oil has been a precious commodity. Ancient Crete became rich in 2500 BC exporting olive oil. Plato later bemoaned the changes to the Attic landscape which suffered erosion due to excess planting of olive trees. The sources of oil have changed over the years and in the late 16th century Basque fishermen hunted off the coast of Newfoundland for whales to extract whale oil used in lanterns. Now there is another search in progress off the coast of Newfoundland and it has nothing to do with whales.

The Hibernia oilfield was discovered in September 1979, some 315 kilometres from St. John's Newfoundland in 80 metres of water on the Grand Banks. It is estimated to contain two billion barrels of oil of which 615 million barrels are expected to be recovered. The projected life of the project is estimated to be 19 years, based on 125,000 barrels per day of production, or approximately 10 per cent of Canada's crude oil output. In short, this is one significant find. The rewards could be high but the stakes could be higher as the project is estimated to cost over $6 billion. The funding has come from a consortium of companies including Chevron, Mobil, Murphy and Petro-Canada as well as the Canadian and Newfoundland governments.

The Hibernia project is expected to begin production in approximately two years' time. This will mark the culmination of 25 years of exploration and pre-development engineering. The Hibernia Gravity Based Structure is the first of its kind and was designed to resist the impact of sea ice and icebergs weighing up to six million tons. After all, when you're building an oil platform the size of several football fields and as high as a 59-storey building in an area known as "iceberg alley," you can't be too careful. This project is a major technological achievement and already several companies involved have used their new-found skills to bid on and win contracts for major oil and engineering projects both in Canada and internationally.

With us today to talk about this fascinating project is the President of the Hibernia Management and Development Company, Mr. Ken Hull. Our guest grew up in Saskatchewan and got his start in the oil patch working for Mobil as a battery operator. He has a Bachelor of Science degree in Petroleum Engineering from the University of Wyoming. Before joining the Hibernia Project, Mr. Hull was Vice-President in charge of all Mobil's frontier development in Canada.

He is no stranger to off-shore development. In 1979 he worked in Norway on the Statfjord project and in 1990 he was appointed Producing Manager for Mobil's North Sea operations, after stints in Indonesia and New York.

The Hibernia Project is one of the most ambitious engineering and construction feats ever undertaken in this country, and indeed the world. I've no doubt it has tested the metal of every one involved. Its success will rest to a large extent on the persistence, experience and leadership of our guest today.

Ladies and gentlemen, would you please welcome our honoured guest, the President of the Hibernia Management and Development Company, Mr. Ken Hull.

Ken Hull

Compared with your venerable Empire Club, the new and exciting Hibernia oil development, which I'm here to tell you about, is just a brash youngster.

However, long before the Hibernia oil field was discovered—and in fact even before The Empire Club was established—the name "Hibernia" was linked to Newfoundland and changing times.

In the latter half of the 19th century the S.S. Hibernia was busy laying the undersea cables that revolutionised long-distance communications between North America and Europe. Now, as the 20th century draws to a close, the name "Hibernia" is again a symbol of advancing technology in the rough waters of the Atlantic.

I am referring, of course, to the offshore platform we are building to produce oil from the Hibernia field, which lies near the Grand Banks, south-east of St. John's. Our Hibernia is so big in terms of physical size, cost and benefits that it is sometimes difficult for people to fully appreciate what's going on.

From the start, we have generally found public reaction to the development to fall into three categories:

- In one group are those who have considerable knowledge of Hibernia and understand the challenges and opportunities that it presents.
- Another group knows little about Hibernia and is generally neutral.
- The remaining group includes sceptics and critics who regard it as some sort of publicly funded mega-project which the country can't afford.

As we get closer to producing our first oil next year, there is, I'm happy to report, a noticeable thinning in the ranks of the critics and sceptics. Thanks to the efforts of everyone involved in the development, Hibernia is at last emerging from the fogs and mists that all too often blanket Newfoundland, ready to become one of the great success stories of Canadian business.

We Canadians owe a lot to our forebears for their vision, hard work and faith in this spacious but challenging land. A former Governor General, Lord Tweedsmuir (John Buchan), pointed out: "We can only pay our debt to the past by putting the future in debt to ourselves." We believe future generations will approve of our six-billion-dollar investment. Hibernia is Canada's fourth-largest oilfield and will eventually produce about 10 per cent of the country's light oil. In terms of electrical energy, that's enough to feed a city the size of Toronto for about 38 years.

But the sceptics may be surprised, and critics confounded, when they discover that most of our capital came from private, not public, funding. The actual ratio was 87 per cent private to 13 per cent public. Frankly, we are somewhat puzzled why anyone would think private investors would put so much money into a development if they weren't reasonably certain of making a profit. Wood Gundy has concluded Hibernia's owners can expect a return of about 13 per cent on their investment. That is a significant improvement on returns generated by the oil industry's upstream operations in Western Canada during the last decade.

We set out from the very beginning to use technology and ingenuity to be as profitable as possible for our stakeholders, both public and private, without compromising safety or the environment. These efforts have allowed us to reduce the cost of extracting a barrel of Hibernia oil to between $12 and $14. On the slight chance there are still a few sceptics in the room, let me just note that the current market price of light crude is $18–19 a barrel. We can't do much about the market price but we can control our operating costs. The greater the difference between those figures, and the more oil we can produce, the greater the returns.

That is only part of the Hibernia story—because Hibernia is not just about oil and technology and profits. It is about people; about their way of life and their future. The fact is, the business and technical skills demanded by a project of this size will be paying dividends to the people of Newfoundland and Canada long after the Hibernia oilfield has run dry. That's what I really want to talk about for the next few minutes.

Because of our history and geography and our exposure to American pop culture we all know that pioneers generally either come from, or are on their way to, the West. As a Westerner myself I don't have any particular quarrel with that image, but I guess I have to admit that things have changed—and these days pioneering isn't just a matter of geography. If they could be with us today, I don't think there's any doubt the people who opened up the West, built our railways and established our communications networks would have any difficulty in recognising the pioneering nature of the Hibernia development. Did you know it has been only 50 years since the world's first offshore oil platform began operations—and that was in a mere six metres of relatively calm water in the Gulf of Mexico. Today, there are platforms operating in seas, gulfs and oceans around the world.

Most of you, I'm sure, are aware of the extensive oil and gas fields under the North Sea and the impact the development of those fields has had on the global energy picture. We tend to forget that the North Sea industry has grown far beyond anything envisaged when the fields were first discovered. Looking just at the U.K. sector of the North Sea, oil production was already well advanced by 1979, the year Hibernia was discovered. At that time, there were some 35 companies and 25 platforms producing oil and natural gas liquids worth more than $11 billion a year. By 1994, the number of companies, platforms and the value of production had all nearly doubled.

I am not predicting that Newfoundland's oil fields will one day rival the North Sea's. What I am saying is that our industry has a wealth of knowledge and experience in this area—and that experience is available to us as we develop our own offshore industry and prepare to lead it into the next century. We have tall shoulders to stand on. Our parent companies between them have years of experience operating in the world's major oil-producing areas.

One comparison I'd like to make concerns the depth of water in which we operate. The Hibernia platform will stand in 80 metres of water. That's quite different from the shallow waters of the Gulf of Mexico—but it can't compare to the 300 metres of water in which some North Sea platforms stand. Still the Hibernia platform is unique in its own way. It is the only one in the world designed to withstand the impact of icebergs weighing as much as six million metric tonnes. Now the chances of such an encounter are extremely remote. Scientists say we can expect to see an iceberg that size near the Grand Banks once in 10,000 years. But that will give you an idea of the kind of preparation and attention to detail that is characteristic of Hibernia. While the construction of Hibernia represented a considerable business risk, we have always taken the position that it won't be a risk to human life, or the environment.

Before I go any further, let me give you some idea of the size and complexity of a structure that "Time" magazine calls "The Eighth Wonder of the World." When it is finished it will stand 220 metres high—that's nearly one and a half times taller than this 43-storey building—and will weigh close to three quarters of a million tonnes. It has two main parts. There's the concrete base with its serrated ice wall, in which we can safely store more than one million barrels of oil; and there's the superstructure (we call it topsides), containing the working and living accommodation, two drilling rigs, cranes, a flare boom and helideck. In constructing the base, we used a technique known as slipforming, a continuous process of positioning reinforcement steel and pouring concrete. Some of you may recall a similar technique was used in building the CN Tower, but our platform is a lot more complicated. Imagine pouring concrete simultaneously for four CN Towers, over an area as large as a football field. Then further imagine the logistical and human challenge of performing this operation 24 hours a day for up to 50 consecutive days—at a work site floating in 200 metres of water and in Newfoundland weather.

In about a year's time, the base and the topsides will be mated and the entire structure towed more than 300 kilometres out to sea—about the same distance as the crow flies from here to Ottawa. It will be a defining moment for Hibernia and for Newfoundlanders. As it happens, 1997 is the 500th anniversary of John Cabot's first voyage of discovery to the area. A replica of his ship the "Mathew" will be in the vicinity as the Hibernia platform is towed out—a reminder of the past and a glimpse of the future.

From the beginning of the Hibernia venture, we promised that most of the capital would be spent in Canada and most of the work would be performed by Canadians. We have made good on those promises. So far we have spent more than $4 billion, of which $3 billion has been spent in Canada and, not just in Newfoundland. About 100 contracts worth more than $1 million each have been awarded to companies outside Newfoundland. About 40 of those went to companies right here in Ontario. During the height of construction last year almost 7,000 people were employed on the project, 6,000 of them in Newfoundland.

As I said a few moments ago, Hibernia is more than just the sum of its sizable parts: it represents a unique blend of visionary business, engineering, technological, and environmental know-how. This stems, in part, from the diversity of our owners—oil companies such as Mobil, Chevron, Petro-Canada and Murphy—and the federal government. While that may remind some of you of the old joke about a camel being a horse designed by a committee, it has been extremely fortunate for us. We have had the freedom to design and create a management philosophy from scratch. We have drawn on the lessons learned by our parent companies and other successful companies across the business spectrum, from aerospace to communications technology and software. In addition, we have experienced people from all over the world—Norwegian, Dutch, American, French, British and others—each with their own national culture and work ethic. Providing leadership and focus for such a diverse group can be quite a challenge. Just look at the complex inner-workings of big international organisations like the United Nations. In Hibernia, we see excitement and enthusiasm for a promising new industry and a determination to set the highest possible standards for that industry—a mood that is captured in Hibernia's vision: "People Pioneering Offshore Excellence."

By the turn of the century, Hibernia will just be hitting its stride. We will be producing, on average, between 125,000 and 135,000 barrels of oil every day. The oil will be transferred from the platform to refineries in specially designed shuttle tankers with double hulls and state-of-the-art safety systems. I stress this because, just a few weeks ago, we again saw the sad spectacle of a fouled shoreline and oil-covered wildlife caused by a tanker running onto the rocks. The double hulls of our vessels are especially designed to limit oil leaks in the event of accidents. To provide an extra margin of safety and caution, we have developed the most advanced on-shore simulator to train our offshore personnel, in the same way that airlines use simulators to train their pilots. This is the kind of forward thinking and expertise we want Hibernia to be known for, not just in Eastern Canada, but in offshore developments around the world.

Being a pioneer and industry leader is never easy and of course you often have to bear the additional costs of putting infrastructure in place. We want to ensure that we get it right, and that we get it right the first time. Those who come behind us will benefit and—you can trust me on this—they are coming.

Approval for development of the Terra Nova field is expected soon. Other significant offshore discoveries—including Hebron, Mara, Whiterose and Nautilus—could be developed with support from the infrastructure that will soon be in place at Hibernia. We believe that advances in technology will allow the Hibernia platform to play an important role in the development of other fields. If we add in the likely discovery of new fields on Newfoundland's west coast, we can begin to see that Eastern Canada is on the verge of acquiring its own oil patch. Thanks to Hibernia, we have the know-how and a pool of experts and skilled workers to make it all happen.

The fact that in Hibernia's case it all came together was due in no small part to the active co-operation and interest of the provincial and federal governments in St. John's and Ottawa. It is a hard economic fact of life that big, capital-intensive projects like Hibernia require supportive and stable fiscal regimes, in which to develop and come to fruition. Quick-fix politics don't help when you have to make long-term investments and long-range judgments. Just consider:

- It has been almost six years since we began the construction phase.
- It has been 17 years since the discovery of the Hibernia oilfield.

We are convinced it has been worth the effort. No doubt Hibernia will stand as a monument to late-20th-century technology. But it will also serve as a useful guidepost to the way large business and engineering projects will evolve in the 21st century. Partnerships with governments and strategic business alliances have played a major role in our development and they may well be the keys to the future for Canadian companies who want a bigger slice of the world business pie.

In closing, just let me state what I hope by now is obvious: that all of us involved with Hibernia take great satisfaction at what we've accomplished. We still have a way to go, but we are on schedule to produce "first oil" by the end of next year.

Naturally, we are proud to be building the "Eighth Wonder of the World." In addition to being an engineering marvel, our Wonder of the World—in spite of what a dwindling number of nay-sayers and sceptics believe, and in contrast to the first Seven Wonders—will make a profit.

Almost as important as that profit, however, is the new sense of confidence that is becoming apparent in Newfoundland. Because of Hibernia, Newfoundlanders are raising their sights.

Some local companies have already been able to use their practical experience with Hibernia to bid for and win contracts on other oil and engineering projects both in Canada and internationally. This is the sort of drive and initiative that companies all over the world are struggling to acquire as they head into the highly competitive and cost-efficient global marketplace of the next century.

This changing mood was reflected in a front-page story in The Globe and Mail last week with the headline: "Newfoundland swaggers to Hibernia's beat." In my view there is no reason why that confidence—or for that matter, the swagger—should be limited to Newfoundland.

The 90s have been tough years for business, for governments and for individual Canadians as we have all had to face up to the harsh economic realities of the age. Canadians' self esteem and confidence have been battered—so much so that many people now have difficulty recognising success when they see it. We are recognised in Newfoundland as an emerging success, but now I'd like to challenge you to take a closer look at what we have accomplished, because I'm confident that, no matter how you judge us, you will agree that Hibernia is going to be an achievement in which all Canadians can take considerable pride. It will continue Canada's tradition of paying its debts to the past by creating something of value for the future.

The appreciation of the meeting was expressed by Monty Larkin, C.A., Honorary Director, The Empire Club of Canada.

Guest speaker Ken Hull, President, Hibernia Management Corporation.

April 3, 1996

Daniel McCaw

President, William Mercer Ltd.

EMPLOYERS' ROLE IN CANADA'S HEALTH-CARE CRISIS

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada; Caitlin Hayward, OAC student, North Toronto Collegiate Institute; Kenneth Hennessy, Executive Director, CANFAR, The Canadian Association for AIDS Research; The Rev. Edward Jackman, Historian, Archdiocese of Toronto; Judith Wahl, Executive Director, Advocacy Centre for the Elderly; George Currie, Managing Consultant, Coopers & Lybrand, the successor firm of Currie Coopers & Lybrand and founding Director, The Sunnybrook Foundation; Duncan Jackman, Investment Officer, Personal Trust and Investment, Cassels Blaikie and a Director, The Empire Club of Canada; John Brooks, Principal and Senior Consultant, Buck Consultants; Barbara Larcina, Director of Benefits and Business Administration, The National Hockey League Players Association; David Hawkey, Vice-President and CFO, RBC Dominion Securities; and Earl Pearce, Senior Vice-President and CFO, George Weston Ltd.

Introduction by David Edmison

Several years ago a writer for the Washington Times wrote: “If you think health care is expensive now, wait until you see what it costs you when it’s free.” His comments were directed at the health-care bill being debated in the U.S. Congress, which it was argued would place more burden on the private sector.

In Canada we have lived with universal health care since the medicare bill was passed in the early 1960s. Several generations of Canadians have grown up and never had to pay for a visit to the doctor. While we pride ourselves on the fairness of the system, we must never be lulled into thinking it is “free.” In fact it is estimated we spend $70 billion each year on health care. Approximately 70 per cent of these costs are financed by our governments which cover basic medically necessary care, while the remaining 30 per cent is largely covered by private employer-sponsored benefit plans.

Recently there has been a move to shift costs from public to private plans as governments attempt to control their expenditures and reduce deficits. This has placed more of the health-care burden on employers who are searching for ways to control these expenses. On the surface, it would seem that the easiest way to control costs would be to cut benefits. This, of course, could lead to employees becoming sick or disabled and ultimately cost more in lost productivity. So there is a movement towards preventative medicine among many employers, looking to the root causes of illness and searching for solutions with their insurers to prevent illness before it happens.

With us today to discuss employer initiatives to improve the effectiveness of the health-care system and deal with mixed signals from governments is our distinguished guest, Daniel McCaw. Mr. McCaw is well qualified to address this important subject as he heads the largest benefit consulting firm in Canada. William M. Mercer Ltd., founded in 1945, has 12 offices across Canada, employs 800 employees and services 3,000 clients. The William M. Mercer Companies operate in 107 cities around the globe employing 8,000 people.

Our guest graduated from the University of Manitoba in 1968 with an Honours Degree in Commerce. He qualified as a Fellow of the Society of Actuaries and Canadian Institute of Actuaries in 1972. He joined William Mercer Ltd. in 1973 after spending five years in the life-insurance business. He has consulted to many of Canada’s leading companies in a variety of industries including steel, banking, trust, investment, education, health and retail. He is a member of the Board of Directors of William Mercer Ltd. as well as the Board of

Directors of William Mercer Companies Inc., the worldwide company.

Mr. McCaw has offered his talents to a number of worthy causes and professional organisations. He is a former board member of the Canadian Stage Company and currently serves on the 1996 Campaign Cabinet of the United Way of Greater Toronto.

Ladies and gentlemen, it gives me great pleasure to welcome today a person who can share with us the insights he's gained on health care from the employer's perspective, our special guest Mr. Daniel McCaw.

Daniel McCaw

First, I would like to say how pleased I am to have been asked by The Empire Club to speak to you this afternoon on one of Canada's most important challenges, the future of our health-care system. This is a challenge that must be faced by governments, employers, and the provider community if Canadians are to maintain our quality of life from both an economic and a health perspective.

But before I begin, there are three personal matters that I would like to share with you. First, as you heard in the introduction, I am an actuary. I know that actuaries are often equated with accountants on the charm and charisma scale. In fact, we are often accused of originally wanting to be accountants, but not feeling that we had enough personality. I'm here to assure you that there are extroverted actuaries. In fact, I'm going to give you a hint on how to recognise an extroverted actuary. You will know you are speaking to one if you find him looking at your shoes.

Second, I must disclose a possible conflict of interest; my wife is an orthopaedic nurse. I am sure you will understand that my own good health requires me to tread very carefully on certain health-care issues.

And the third issue is the fact that although I have been in the consulting business for more than 20 years, I am not a health-care expert. Although health-care consulting is the second-largest consulting discipline at

Mercer and I am involved with the health-care issues, my consulting career has been confined to pension plans and other forms of capital accumulation programmes. So this may be a first for many of you: a talk by an actuary on a subject on which he is not a self-proclaimed expert.

I would like to divide this presentation into two sections. First, I will deal with the current situation in Canada's health-care system, including some of the pressures and challenges we face as we move into the 21st century. And second, I would like to share with you the perspective on health care of a group of employers who have banded together to form the Employer Committee on Health Care—Ontario.

We can all see that Canada's current economic difficulties are having a tremendous impact on the nation's health-care system. We have a total federal and provincial debt that amounts to approximately 100 per cent of our Gross Domestic Product. Among the G-7 countries, only Italy has a larger debt. We continue to spend about $25 billion per annum more federally than the government takes in in revenues. And 35 cents of every dollar that the government does take in each year in revenues goes to service our enormous debt position. Despite this, Paul Martin said in his recent budget that things are "under control." I'm sure we all found those words reassuring.

But in fairness, the federal government does recognise the need for deficit reduction. And one of its solutions, if you can call "passing the buck" a solution, is simply to reduce transfer payments to provinces. And this programme begins in earnest this year, with close to a $3-billion reduction in transfer payments to provinces for health, education, and social assistance, with a further $2-billion reduction in the transfer payment in 1997–98. By then, these transfer payments will be 15 per cent less than 1995–96 levels. The provinces have been at work as well, with many changes in their programmes to shift health-care expense from the public sector to employer-sponsored health-care plans and to individuals. This shift includes reductions in the number of drugs covered for citizens over age 65, limits on out-of-country services, and even a $20 increase in the deductible for ambulance service.

It is interesting to review the current distribution of our overall health-care costs in Canada. Provincial governments have been paying close to 50 per cent of the total. A little more than 20 per cent comes from federal transfer payments, and nearly 30 per cent comes from employer-sponsored health-care plans and individuals. We often think of Canada's health system as being almost entirely public, but 30 per cent of the funding comes directly from the private sector. And there is considerable pressure by government to shift costs further and to increase the private sector's 30-per-cent share. Too often however, these government-initiated changes are implemented without adequate consultation and without a complete study of long-term consequences.

Currently Canada spends in excess of $70 billion, or 10 per cent of our GDP, on the health-care system, a figure that was only seven per cent of GDP 20 years ago. One question we should be asking about the current system is whether or not we are getting value for this money.

It is interesting to compare Canada's 10 per cent of GDP spent on health care with two of our G-7 colleagues—Japan and the United States. Japan spends seven per cent of GDP on health care while the figure in the U.S. is 14 per cent. Now, I've picked Japan and the United States because they represent the extremes of G-7 countries on health-care expenditures.

If we compare what these countries spend on health care to the results, two measures of the quality of a health-care system are infant mortality rates and life expectancy. In Japan, according to recent OECD figures, the infant mortality rate is about one-half that of the United States, and 60 per cent of Canada's. This is exactly the opposite result that one might infer from the relative health-care expenditures in these three countries.

My second measure of the quality of health care is life expectancy at birth. In Japan this is currently 79 years, while in the United States it is only 76 years. Canada is slightly better than the U.S. at 77 years. These statistics would suggest that health care is not necessarily improved by spending more money, or conversely, and here's where there is a ray of hope for us, perhaps Canada can maintain the quality of its current system with less funding.

At the same time as governments move to cut their commitments to financing health care in Canada, the Canadian population is getting older. This is a result of several demographic factors:

- declining fertility rates since the end of the baby boom births in the mid-60s;
- slow population growth through immigration; and
- healthier lifestyles in conjunction with medical advances, leading to longer life expectancy.

Close to one-third of the population of Canada was born between 1945 and 1965, and almost all of these “baby boomers” are going to reach retirement, and are going to draw all forms of social benefits for many years. Thirty years from now we will have twice as many people over 65 per working Canadian as we do today. The incredible impact of this phenomenon is difficult to quantify, and can best be illustrated with an example.

We currently have close to 3.5 million Canadians, age 65 and over. Let's assume that there are an additional 3.5 million retired Canadians today. In effect, we'll assume that the number of retirees per working Canadian doubles today, rather than in 30 years. Let's also assume that on average they draw the same pension and health benefits, and pay the same taxes as today's average retiree.

If we also assume that we finance the additional costs of these 3.5 million retirees through an increase in our current seven per cent GST, the Canadian Institute of Actuaries has published a paper suggesting that GST would have to move from seven per cent to 25 per cent to cover these benefits. The aging problem may only be incremental on a year-by-year basis, but it will be enormous for our children, unless we accept our social responsibility to deal with it.

Given the current situation of reduced government health-care funding and the potential for long-term health-care cost increases through demographic pressures, some employers have taken action. This includes ensuring that the design of the employer's health-care plan does not leave them automatically picking up benefits previously provided by government, putting caps on retiree health-care benefits, and redesigning their plans (often through the introduction of flexible benefit programmes) so that employees take more responsibility for both the choice and the cost of their health-care benefits. Although justified, the net result of many of these actions is to move the costs governments tried to shift to employers, on to the employees.

But employers also need to participate at the policy level, where changes to the long-term system will be instituted. To this end, Mercer facilitated the establishment of the Employer Committee on Health Care—Ontario, or ECHCO. In fact, Mercer helped establish similar groups in Alberta and Quebec, and we are currently working with employers in B.C. to form a group in that province.

ECHCO is a group of 30 of Ontario's largest employers who are very concerned with both the effectiveness and the long-term viability of our health-care system. It employs 350,000 people in Ontario alone. Its benefit programmes impact not only these active employees, but an additional 150,000 retirees.

In total, including dependants, they cover about 1.1 million residents of the province, or about 10 per cent of the population. Their combined payrolls are $15 billion in

Ontario and more than $26 billion Canada-wide. Their investment in health and dental benefits in 1994 exceeded $700 million in Ontario and more than $1 billion Canada-wide.

The members of ECHCO all play a major role in promoting good health and illness prevention among their own employees, and are strong believers in the long-term relationship between good health and work force productivity.

ECHCO's objectives are threefold:

- First, to increase their own knowledge and awareness of the health-care system;
- Second, to influence the future direction of quality health care in the province;
- And third, to identify opportunities to improve the effectiveness of employer-sponsored programmes.

The focus of their efforts is not adversarial. They bring a business perspective and experience to the table and can, working with the other stakeholders in the health-care system, make a significant contribution to improving the quality of health care while managing costs. They have stated that they want to accomplish change in the system through partnership with the other stakeholders.

I stated earlier that the current health-care system faces enormous short-term and long-term cost pressures due to the reality of our current economic situation and the emerging demographics in Canada. The ECHCO members recognise this challenge and believe that the status quo is simply not sustainable. As employers, they understand the need to deal with significant economic restraints in their own businesses, and by restructuring, many of them have reduced their operating expenses without compromising the quality of the products and services that they deliver to their clients and customers.

In 1990, members of ECHCO had health and dental benefit expenditures of approximately $400 million. By 1994, this figure was $700 million, a 75-per-cent increase in a four-year timeframe where the consumer price index increased by about nine per cent. Increased costs of medical services and increased utilisation of employer-sponsored health-care benefits were major contributors to this significant cost increase. However, much of this increase was due to cut-backs in government-sponsored services that were picked up by the private system, and Ontario's decision to apply retail sales tax and premium taxes to private health-care plans. There is a sad irony attached to a government reducing expenditures by shifting health-care costs to the private sector, while at the same time increasing revenues by taxing these privately sponsored health programmes.

ECHCO members have some strongly stated views on these government actions that all too often happen without consultation with the private sector, and without adequate study of the long-term consequences. They believe the consequences of these actions include:

- First, no ability for employers and employees to plan ahead. After the fact, employers must choose to assume higher costs or to ask employees to share in these cost shifts, or perhaps even to reduce health benefits.
- Second, ECHCO members are concerned that most changes in the public sector have simply resulted in cost shifting. They believe that cost shifting is not in itself an effective strategy because it does not address quality improvement or overall cost cutting within the system. Without re-engineering the design or delivery of health-care services, reducing costs in one part of the system, namely government, simply results in increased obligations elsewhere, namely the private sector, with unstudied consequences.
- And finally, downloading health-care costs does not address the cause of the increases in overall health-care costs in the system. Furthermore, simply pushing these costs to the private sector has a significant finan-

cial impact on employers and the overall health of the provincial economy. ECHCO has determined that government cost shifting and additional taxes on health programmes cost their members about $100 million in 1994. This impacted both job creation in the province and our competitiveness in international markets.

Consultation in advance of change provides employers with an opportunity to share with the health-care community the impact on their companies, and to make a contribution to policy deliberations. ECHCO members want to work in partnership, to share their experience and to join forces with government and others to address the problem of rising costs to our mutual benefit.

ECHCO has organised their activities through four sub-committees, dealing with issues that pertain to:

- Drugs
- Dental Services
- Health Care Practitioners and Hospitals
- Government Liaison

These sub-committees have met with stakeholders in each of these areas, in effect, covering all aspects of delivery, effectiveness, and funding.

In recent years, governments have attempted to contain the cost of health care by limiting the supply of services and funding. ECHCO members believe that real on-going savings, in terms of both dollars and the health of the population, will come from better management of the demand side. There are three areas that they are recommending need change:

- First, information and education. They believe that reform depends upon reliable information about costs and related health outcomes, that incentives in the system can improve dramatically when stakeholders can base decisions on a comparison of relevant outcomes and their prices.
- Second, streamlining and co-ordinating services. They believe that significant savings can be achieved

through streamlining and co-ordinating services and ensuring more cost-effective modes of delivery without adversely affecting the health of the population.

- And third, illness prevention and the promotion of good health. ECHCO members have invested significantly in programmes to create awareness of common causes of ill-health and to promote well-being. They also believe that health-promotion education should stress the advantages of individual choice and the empowerment of the health-care consumer.

Personally, I am very impressed with the progress made by ECHCO to date. I admire its goals and its efforts to partner with governments, and the other players in the health-care system. I am especially impressed when you consider the mixed message it seems to be receiving from government.

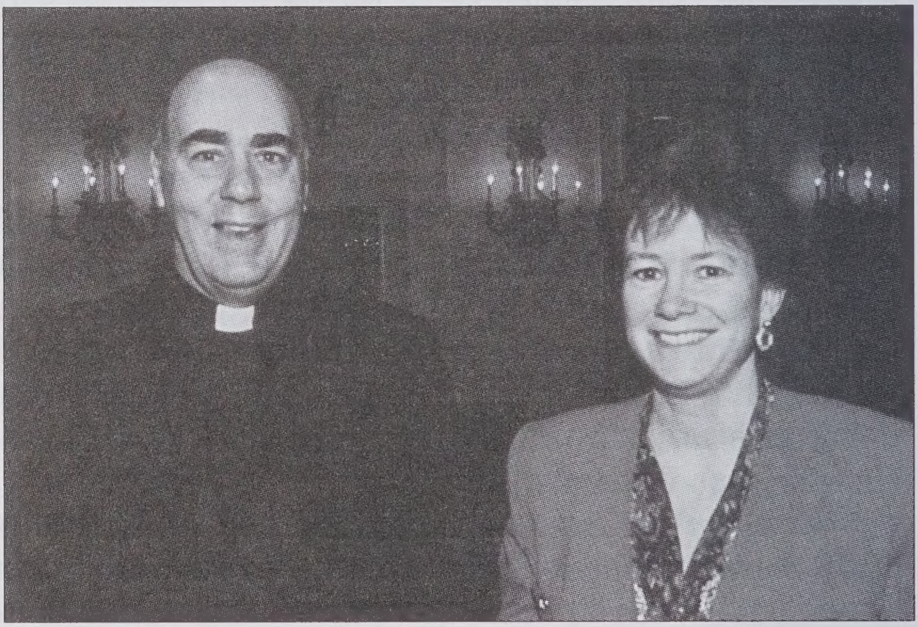
The mixed message I am referring to is the tax status of the private health system. Canada has long recognised that incentives for retirement savings encourage both employers and employees to set aside capital for retirement, thus reducing the dependence of the retiree on government programmes. However, even as they move more of the cost of the health-care system into the private sector, Ontario has applied retail sales tax and premium taxes to private health-care programmes. The federal government continues to consider taxing employees on employer contributions to health-care programmes. Governments need to review the taxation issue with ECHCO and other interested parties, and perhaps rethink the long-term impact of this taxation strategy on the health-care system.

In conclusion, I applaud ECHCO and the other employer groups for their efforts to work with government to come up with long-term solutions for our health-care system. ECHCO has realised that the solutions involve much more than money, or who pays for health care. Money and health do not have to be trade-offs.

Economic prosperity contributes to the overall health of a community, while unemployment and job stress are associated with increased demands on a health-care system. The challenge will be to integrate the health of employers and the health of employees into a strong growing economy.

Thank you.

The appreciation of the meeting was expressed by Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada.



Father Edward Jackman with Barbara Larcina, Director of Benefits and Business Administration, the NHL Players Association.

Guest speaker Dan McCaw with fellow head table guests.

April 9, 1996

Helen Sinclair

President, Canadian Bankers Association

SIZE AND COMPETITION IN CANADIAN BANKING

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Monike Tran, grade 12 student, Parkdale Collegiate Institute; The Rev. Jane Watanabe, Associate Priest, St. James Cathedral; Robert McLeese, President, Access Capital; Terence Corcoran, Columnist, Report on Business, The Globe and Mail; Robert Brooks, Executive Vice-President, The Bank of Nova Scotia and a distinguished Past President, The Empire Club of Canada; Allan Cooper, President, Canadian Depository for Securities; Bill Broadhurst, Past Chairman and Senior Partner, Price Waterhouse; John H. Tory, President and CEO, Rogers Multi-Media Inc. and a Director, The Empire Club of Canada; Ed Waitzer, Chair, Ontario Securities Commission; Joanne De Laurentiis, President, Interac Association; Dwight Lacey, CEO, CIBC Insurance Company Limited; Bill Brock, Chairman, Canadian Bankers Association and Vice-Chairman, Toronto Dominion Bank; and Robert Chisholm, Vice-Chairman, The Bank of Nova Scotia.

Introduction by David Edmison

Well known satirist Ogden Nash wrote the following poem in the early part of this century:

"This is a song to celebrate banks,
Because they are full of money and you go into them
and all you hear is clinks and clanks,
Or maybe a sound like the wind in the trees on the hills,
Which is the rustling of the thousand-dollar bills.
Most bankers dwell in marble halls,
Which they get to dwell in because they encourage
deposits and discourage withdralls,
And particularly because they all observe one rule which
woe betides the banker who fails to heed it,
Which is you must never lend any money to anybody
unless they don't need it."

Well unfortunately a number of bankers didn't obey this golden rule. They actually lent money to people who really needed it and even to some who felt it was rather inconvenient to pay it back. John Maynard Keynes used to say: "If I owe the bank a thousand pounds, I have a problem; if I owe the bank a million pounds, the bank has a problem." Indeed in the United States, breaking Nash's golden rule has caused thousands of banks to fail, in some cases leaving depositors empty handed. In Canada, our banking system is more stable and over the years only a few banks have needed assistance and depositors have, by and large, not lost a cent. We are fortunate in this country to have a secure banking system, and one in which Canadians have confidence.

While we value the stability of our deposit institutions it has become somewhat of a pastime for people today to complain about banks for one reason or another. The business of lending money and assessing risk is not easy. It is sometimes difficult, and at times, unpopular decisions have to be made. Bankers, on occasion, have had to deal with adverse public opinion. This is not a recent phenomenon. For example, in the middle of the 14th century Florentine bankers helped finance Edward the Third in his war with France. The terms they imposed reflected their assessment of the risk. They demanded as collateral the Archbishop of Canterbury, in person! Interest was 120 per cent, with charges of 60 per cent if payment was not prompt. As well they imposed a lien on state income and installed two merchants to supervise Edward's household accounts. How would you like to have the job of PR Manager at one of those banks? Needless to say 100 years later Henry the Seventh found new bankers.

These, and other experiences have helped bankers learn a great deal about public relations over the years. Helping to improve the image of the banks and lobby for their best interests in Canada is the Canadian Bankers Association, an organisation which was established in 1891. The CBA provides the banks with information, research and operational support, and contributes to the development of public policy on issues that affect financial institutions. The CBA works closely with the banks on issues ranging from customer service to self-regulatory codes and consumer protection. The CBA also interfaces with the various levels of government to ensure that regulations and issues affecting the banking industry are developed and maintained in the best interests of the Canadian bank customers.

Quite obviously, the Canadian Bankers Association is an important body and requires a uniquely talented person to lead it. Our special guest today is such an individual. Helen Sinclair was the first woman and the youngest person to ever preside over the CBA. She has been in her present position since 1989 having previously held several senior executive positions with the Bank of Nova Scotia, including vice-president and general manager of planning and legislation. From 1980 to 1985 our guest served as the CBA's public-affairs director.

Ms. Sinclair is active on a number of public-policy boards. She was chair of the Board of Directors of the YMCA of Greater Toronto from 1992 to 1994 and continues as a board member. She serves on the boards of the C.D. Howe Institute, the Payments Association, The Livingston Group, and Stelco Inc. She also volunteers her time to serve on the boards of York University and the Social Sciences and Humanities Research Council. She is a member of the University of Western Ontario's Business School Advisory Board and was recently appointed Vice-Chair of the Ontario Financial Review Commission.

Our guest has a B.A. from York University, an M.A. from the University of Toronto and has completed the Advanced Management Programme of the Harvard Business School.

Given the current debate on the upcoming White Paper on financial regulation, I can think of no one more qualified to address us today on the issue of allowing banks to sell insurance and the future of the banking industry in Canada.

Ladies and gentlemen, will you please welcome our very distinguished guest, Helen Sinclair.

Helen Sinclair

Thank you for your introduction—and your "relatively" kind literary quote! While it may not appear an obvious match, banking has not been distant from literature.

Robert Service, T.S. Eliot and Rohinton Mistry all spent part of their careers as bankers. At least one other literary figure has even undertaken some bank lobbying. Stephen Leacock in the 1930s took on a contract with the Canadian Bankers Association, according to Robert MacIntosh in his book "Different Drummers." Leacock's speaking tour in Western Canada aimed to poke satirical fun at the credit policies of "Bible Bill" Aberhart. By all accounts even Bible Bill, who attended at least one of the speeches, joined the laughter.

The usual speech of a CBA president nearing the end of her term is one of quiet reflection on past battles followed by non-controversial advice to the fortunate successor. Not this time, ladies and gentlemen. You may have seen the movie "Braveheart." If so, you recognise the disposition of my Scottish forebears to speak their minds. I am going to do just that. I take great pride in Canada's banking industry, its people and its accomplishments. I am particularly proud to have represented, for the past six years, an industry of such strategic importance to Canada's competitiveness—an industry essential to the current and future well-being of the Toronto region. Banks directly employ 175,000 Canadians—60,000 jobs in Toronto alone. Banks pay more than 12 per cent of Canada's total corporate taxes—over $4.2 billion in taxes and levies—while representing just four per cent of the economy.

The financial industry is second only to the automobile industry in the scale of economic benefits conferred on the Greater Toronto Area. It is the only industry with two companies, both banks, among the region's top 10 employers. The Boston Consulting Group, in its recent study for the Greater Toronto Area Task force, concluded: "Most city-regions would die to have that kind of strength in two-traded industries." In addition to direct employment hundreds of thousands of jobs have been created by the $6 billion that banks spend annually on goods and services.

Perhaps the largest and fastest-growing component of bank out-sourcing is information technology and communications. Banks are among the largest clients of Canada's IT industry. In turn, Canada's banks are the world's best-equipped in terms of their technology and their human resources. The scale of investment in these areas is remarkable. Equally remarkable is the achievement of creating a highly automated and accessible branch-banking network—reaching all parts of our vast country.

Some 13,000 automated banking machines supplement over 8,000 bank branches—every one of them on-line. In Canada's North, banks are among the largest users of satellite communications so that we can maintain personal and corporate services that are just as efficient as in more populated areas of our country.

I recently welcomed visitors from Dallas. They simply could not believe that a Canadian could cash a cheque in Halifax and receive credit the same day in his account in Vancouver. The same service is not possible south of the border—but we take it for granted in Canada. That is because Canadian banks have made huge investments in state-of-the-art electronic payments systems. Take Interac. It will process about 700 million transactions this year, from about 200,000 merchant locations. To put this achievement into perspective, Interac is now comparable in size to the 10 largest electronic payments systems in the United States—combined.

Consider the rapid growth of CDS, the Canadian Depository for Securities. Its role is to take the paper and the risk out of securities trading in Canada. Its success is such that, at any given time, 80 per cent of Canada's capital market is on deposit at CDS—representing over $1 trillion in securities. Each day between $55 billion and $100 billion is cleared and settled through CDS—quickly and cost-effectively.

These technological achievements could not be possible without a highly trained work force. The adult-training programmes of Canada's banking industry are second to none in Canada and the world. The ICB, the Institute of Canadian Bankers, is the largest industry-based educational institute in Canada. It has the widest global reach of any banking institution in the world: students from 79 countries across five continents participate in its programming. And the ICB is just the tip of the iceberg; ICB accounts for just five per cent of total bank spending on work-force training in Canada. These last six years, which combined recession and pronounced economic restructuring, have been far from easy for any industry. But generally the scenario looking forward is positive.

Six years ago, when I become CBA president, Canada was moving into the worst recession in 60 years. Since the depth of the recession in 1991, however, the economy has grown 10.1 per cent. Commensurate with this growth, business loans by banks have grown 7.2 per cent—with small business loans showing an annualised growth rate of 11 per cent in 1995 alone. We have strived through these six years like every other business to improve our productivity, efficiency and customer convenience. Increased automation has been a boon for our industry and for our customers. Being a healthy industry, we have maintained employment levels. Bank employment is just over two per cent below the level in 1989. In a recent letter to the editor, Warren Jestin, Chief Economist of Scotiabank, wrote: "Downsizing may be the corporate trend of the 1990s, but this has not been the case at Scotiabank. In the past five years, the number of employees actually increased ... about 12 per cent."

This is where we stand today. But today's indicators—no matter how positive—guarantee nothing for the future. Anyone participating in this economy knows that Canadian companies face intense competition in each and every sector where we excel, or wish to excel.

This leads me to the public-policy agenda, and an issue that increasingly concerns me. Does our country have a competitiveness vision? We have some successes as a country, but there are many questions. Six years ago it seemed inconceivable that provincial governments in this country might actually abandon some turf and move in the direction of common regulation of our securities industry. Today, with the leadership of governments such as that of Ontario, we may just get there. This achievement will be enormously important to Canada's competitiveness. Good regulation is a key ingredient of good infrastructure. They both mean lower costs, better process and more convenience for users and consumers. Six years ago, too, the financial industry was only in the initial throes of the so-called "little bang." The securities and banking industries had begun to join forces by this time. The reforms of 1992 helped move Canada further along the path of competition in financial services, although not as far as competing jurisdictions.

This story is not yet as positive as it could be. I will speak bluntly here about the potential impacts on the competitiveness of our country and the industry in which I work. The issue of the banking industry's size clouds the horizon. It threatens to weaken the political will to deal with the financial sector strategically and to do what is right for the country and the banking public. Size according to our detractors is a negative. But size is also about competitiveness globally, and about jobs in Canada. Size is not the be-all-and-end-all to bank competitiveness. Good earnings, increasing productivity, ongoing investment in people and in technology are indispensable.

But size does matter. Size lowers the high fixed costs of information technology. And, for a bank to play a major role in the larger transactions of the world's capital markets, large amounts of capital are required. And this translates into size.

At present no Canadian bank makes the grade and we are slipping. In 1980, Canada had four of the world's top 50 banks. Today we have none. As North American institutions, we have traditionally looked relatively large and competitive. The basis of that comparison has been the United States, which has 10,000 banks, most of them small. The basis of that comparison is changing. Some American banks already are twice the size of our largest. and, as the U.S. adopts the same kind of banking laws as Canada, more and more American banks will grow larger than ours through merger consolidation. As one measure of things to come, the Chemical Bank and Chase Manhattan were already bigger than our biggest—even before their merger.

You might think the size of our banks is inextricably linked to Canada's relatively small population base. It is not. Holland, with half our population, has two banks larger than our largest. Switzerland with a quarter of our population has three. The question for Canada is one of vision. Do we wish to allow our institution to at least have a shot at world scale? If so the recipe is relatively simple.

First, understand the importance of capital and earnings, and what taxes do to them. If the banks' size and absolute profits are to make them target for ever-steeper and more discriminatory taxation, then, by definition, the battle for the world league will be lost. Northern Telecom and Bombardier may make the grade in their sectors, but we won't in ours. Second, we need to revisit our mergers and acquisition policy. The world's largest financial institutions will all be products of mergers of already large institutions. Third, we must follow international practice in deciding what Canadian financial institutions can do. This brings us to the debate surrounding upcoming changes in financial-sector legislation, and the question of banks distributing insurance and providing lease financing for cars.

Let's look at who's selling insurance in Canada. ING, Prudential, AXA and Allianz are all in the insurance business in Canada. All are larger than the Royal Bank and all distribute insurance through banks in their home markets. The top five property and casualty insurers in Canada are foreign-owned. They control over 60 per cent of Canada's P&C market and all five face bank competition in their home markets. Canadian insurers such as Manulife, Great-West and Sun Life all compete successfully against banks internationally. They also distribute their products through a variety of banks abroad. So, why not in Canada? Why does Canada remain (along with South Korea) among the only countries in the industrialised world to prohibit insurance sales through banks, particularly where the benefits to consumers in terms of more competitive pricing are clearly identified in the experience of other countries? Why does Canada allow General Electric, General Motors and Ford—all larger than the largest Canadian bank—to lease cars in Canada through their financing arms? All of these multinationals compete against banks in car leasing at home. Why should they face no competition from banks in Canada?

It has been very ironic and very frustrating to have the issues of the size and profits of Canadian banks to become the rallying points for not doing the right thing in upcoming legislative reforms. These issues are not going away. The federal government has shown through its trade policies that it understands no country facing inward will enhance its world standing in the 21st century. The question, as always, is timing—and vision. Canada's banks understand they must help deliver the required changes.

The involvement of bankers as individuals is the only effective way to deal with the issues we must confront. In part we need to explain—with consistency and even a little passion—how our industry makes Canada more competitive. Mostly we need to remind people that banks are more than towers and executives: they are thousands of employees each doing a job, by no means perfectly, but with professionalism, dedication and pride. Grassroots politics is not part of our tradition—but it's got to be part of our future. We learned an important lesson from the government's decision to abort any further public discussion of insurance powers. We learned that getting the analysis right is only part of the process. We need to be seen and heard.

The budget statement was the first volley in the next revision of financial-sector law. In Churchillian parlance it is merely the end of the beginning. I have every confidence in the right set of outcomes and I wish my successor, Ray Protti, all the very best as he moves our agenda forward.

I started this speech by speaking about the pride I have felt representing this industry. In closing, I would like you to know I am not disappearing from the landscape. In fact, I will be putting my money where my mouth is. I am incorporating a company under the name BankTech Trading. Its goal is to adapt and resell the products and know-how of the North American financial services industry to the financial industry in other markets. These include products such as the software and standards which underpin Interac; the networking and processing systems which underpin the Canadian Depository for Securities; the courseware and educational programming produced by the Institute of Canadian Bankers; and maybe even some of the structures and systems of the Canadian regulatory community.

We Canadians have been successful at exporting know-how, subway cars, telephone switches and engineering services—our financial industry has the same potential. A huge and growing market for financial industry know-how is developing in emerging and developed countries alike. We have the best the world can offer and like other Canadian exporters we have to get out and sell, sell, sell.

The Empire Club is not accustomed to having this platform used for self-promotion, I realise. But entrepreneurs will try to get away with anything. If you have anything to direct my way—we'll even take insurance industry business—please let me know!

In closing, I would like to reiterate that no nation has assured the prosperity of its citizens in the absence of a strong, well-managed and profitable domestic-banking sector. In the hyper-competitive 1990s and beyond, with strong competitors emerging on every continent, well-managed and well-capitalised Canadian banks are critically important to our economic well-being.

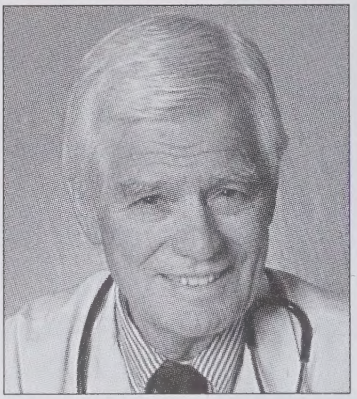
Let's get our country's competitive vision in 20-20 focus and allow the dedicated men and women of this very strategic industry to do their best for their customer, their companies and for Canada.

Thank you.

The appreciation of the meeting was expressed by Robert Brooks, Executive Vice-President, The Bank of Nova Scotia and a distinguished Past President, The Empire Club of Canada.

Helen Sinclair, President, The Canadian Bankers Association.

Bill Broadhurst, Past Chairman and Senior Partner, Price Waterhouse with Empire Club 3rd Vice-President Doug Todgham.



April 11, 1996

Dr. Kenneth Walker

Physician and Medical Journalist and Author of "The Healthy Barmaid"

THE HEALTHY BARMAID, THE NEW MINISTER OF HEALTH?

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

William Whittaker, Q.C., Partner, Lette, Whittaker and an Honorary Director, The Empire Club of Canada; Peter Tun, OAC student, Northern Secondary School; The Rev. Kim Beard, Rector, St. Bede and St. Chrispin Anglican Churches; Peter Davis, National Executive Director, The Duke of Edinburgh Awards, Young Canadians Challenge; David Tafler, Publisher, Canadian Association of Retired Persons Newspaper; Marilyn Linton, Lifestyle Editor, The Toronto Sun; Ramsay Fraser, retired Chartered Accountant; Diana Chant, C.A., Partner, Price Waterhouse and Treasurer, The Empire Club of Canada; Rolf Meyer, Managing Editor, Deutsche Press; Derek Cassels, Editor, The Medical Post; William Sommerville, Chairman, Ontario Pension Board and former Chairman, National Trust; and Rudy Fernandes, Vice-President, Ciba-Geigy.

Introduction by David Edmison

Last month we lost one of the greatest entertainment personalities of this century in the death of comedian George Burns at age 100.

Burns' longevity may have had more to do with his attitude and outlook rather than his lifestyle. He was quoted as saying he drank four martinis and smoked 15 cigars each day. When asked what his doctor thought of this, he quipped: "My doctor is dead."

Sir Winston Churchill, another cigar smoker, who enjoyed the odd drink also lived a long and fulfilling life. He could hardly be classified as physically fit though, and when asked why he did not exercise, he said: "I get enough exercise being a pallbearer for those of my friends who believe in regular running and calisthenics."

Well, many of us will be lucky to retain good health as long as Burns and Churchill. In order to do so we may have to change some of our lifestyle habits. With us today as our special guest is Dr. Ken Walker who has been offering advice on preventative medicine to millions of people around the globe for over 30 years.

Dr. Walker is a prominent gynecologist and medical journalist. He writes his columns under the pseudonym W. Gifford Jones. His medical column, "The Doctors Game," is syndicated in 85 Canadian newspapers, the Chicago Sun-Times and 300 other U.S. newspapers. He is the author of six books; his latest, "The Healthy Barmaid," is set in a London pub surrounded by numerous medical school hospitals. His protagonist Ida, the healthy barmaid, listens to medical professors and practitioners and discusses how faulty lifestyle leads to a litany of problems.

In his book, Dr. Walker takes on the role of an insurance agent who gains valuable insight from the fictional Ida. If you are a moderate drinker, you will be encouraged by Ida's advice. On the other hand, if you are a smoker, you will not care for her warnings; she quotes Mark Twain who said: "It's easy to quit smoking, I've done it thousands of times." I'm sure many of you who smoke can relate to this. His book covers many other issues, ranging from heart disease to nutrition, which are discussed in a clinical, yet easy-to-read fashion.

Our guest is well qualified to offer his medical advice. He is a graduate of the University of Toronto and the Harvard Medical School and is a fellow of the Royal College of Surgeons. Dr. Walker has been practicing medicine for over 40 years, first in Niagara Falls and now in Toronto. He is President of the Gifford-Jones Foundation which is dedicated to fighting needless terminal cancer pain and for these efforts he has received a citation from the Governor General of Canada.

Dr. Walker is married to Susan Walker, who is also his editor and they have four children.

Our guest will address us on the importance of lifestyle in maintaining good health. He will tell us why his healthy barmaid would make a suitable candidate as the new Minister of Health.

Ladies and gentlemen, would you please welcome our distinguished guest, insurance agent, medical doctor, author and journalist, Dr. Ken Walker.

Kenneth Walker

My thanks to you, David, and the members of The Empire Club for asking me (and my healthy barmaid) to be a part of this medical series of talks.

Now before Ida, The Healthy Barmaid, discusses what she would do as Minister of Health let me answer a question that people always ask me.

What is it like being a syndicated medical journalist?

This is a good question because the thoughts that my barmaid will pass along today stem more from my 35 years as a medical journalist than from what I learned at the Harvard Medical School. Medical journalism has added a huge dimension to my life.

Because of it I've been to the Pasteur Institute in Paris to interview the discoverer of the AIDS virus. I've talked to Linus Pauling on several occasions and many interviews with other distinguished researchers have been great learning experiences.

I've had exciting moments such as flying onto the nuclear aircraft carrier, the USS Nimitz, while it was on manoeuvres with the U.S. 7th fleet. I've also received my share of criticism and spoofs. Medical students at Western University once wrote a series of articles for their newspaper using the pen name of W. Gizzard-Bones.

I've had moments of chagrin necessitating some quick thinking. Several years ago I wrote a column suggesting that Yves St. Laurent should design better panties for women. The current skin tight ones were causing gynaecological problems. One evening I arrived home from the office with a package and opened it in front of my wife while we were enjoying a drink before dinner. I pulled out a pair of women's pink panties. I can tell you from experience this is not a good way to start the evening with your wife! During the next few weeks more panties arrived with design suggestions from readers. My wife finally concluded I might have one mistress but she knew I wasn't capable of looking after 20!

I've had some frustrating and difficult times. In 1979 I proposed that the government legalise heroin for medical use to help terminal cancer patients in pain. I expected support from the Canadian Cancer Society. Instead it sent briefs to Ottawa claiming heroin wasn't needed, because only a few patients suffered uncontrollable pain. The society didn't say what to do about those few who might be helped and desperately needed this painkiller. Some cancer specialists labelled me an uninformed headline-seeking journalist. I began to wonder if I was terribly wrong. But then I received a letter in the mail from a convict in the Kingston jail. He wrote a 20-page letter telling me he had tried all the narcotics and heroin was the "Cadillac" of them all. He insisted that I was right and shouldn't listen to my critics.

I receive tons of mail and some letters go on for 20 pages telling me about every ache and pain writers have had for 20 years. Some letters are very disturbing. Occasionally patients with terminal diseases write to me. They've been to the Mayo Clinic and other renowned centres without being helped and they write to me hoping I can solve their problems. It shows the power of the written word and this continues to astonish me.

If I had to pick one thing that has sharpened my wits and focussed my medical knowledge it's been the fact of deadlines every week for the last 20 years. Samuel Johnson once remarked that "nothing sharpens the mind so much as the knowledge you're going to be hanged in the morning." In one way weekly deadlines are a terrible curse. They're like being married to a nymphomaniac. In fact, some weeks when I'm struggling with a column I'm convinced that would be the lesser evil! But deadlines not only focus your attention. They also help you to see the forest as well as the trees.

The longer I practice medicine the more I'm convinced there are two kinds of diseases—those we get and those we make. The secret is learning how to prevent the ones we make.

My father, who was a Scot, taught me my first lesson in prevention when I was a small boy. He told me about the Scot who saved for weeks to buy his favourite bottle of Johnnie Walker. He placed it in his back pocket convinced that God was in Heaven. As he left the store he fell and landed on his back. As a crowd gathered around him he slowly moved his hand around to his back. After a moment he said: "God, I hope that's blood!" So if you learn nothing from my barmaid today I hope you will at least walk carefully after buying your favourite bottle of scotch.

Now, to get back to my barmaid, why do I propose that she should be appointed the new Minister of Health? Am I pulling your leg? Am I trying a journalist's trick to keep you from falling asleep after a meal or does this suggestion have merit? I hope I can prove to you that my 85-year-old barmaid is a wise old owl who could prevent needless disease and even balance the health-care budget. What would be her first move?

The Healthy Barmaid as Minister of Health would tell them to buy a bottle of wine.

This would shock some Canadians, maybe even your president! There's never been a time when everyone has been so uptight and there's no better medicine to relax people than a glass of wine. For too many years its medical value has been swept under the rug for puritanical and dishonest reasons.

Why is it that Canada is so often behind the U.S. and other countries? Both the U.S. and U.K. governments announced weeks ago that moderate drinking helps to prevent heart attack. We haven't heard a whisper from any Minister of Health in Canada!

People who wouldn't say "damn" if they stubbed their toe at 2:00 in the morning would ask Ida, "How could you preach a healthy lifestyle when you're a barmaid in a pub?" Ida, my barmaid, would bluntly tell them there are 20 studies from around the world which show that moderate drinkers live longer. Critics, of course, argue this message encourages people to drink and some drink to excess. The end result is cirrhosis of the liver, family and social strife and death from drunken drivers.

My barmaid friend admits that can happen, but if we followed this reasoning, we should stop selling cars because some idiots drive at 140 miles at hour. As well, when scientific studies prove that alcohol in moderation is helpful to prevent coronary attack, it's her opinion, and mine, that it is totally unethical to withhold this good news from moderate drinkers, particularly from elderly moderate drinkers when a happy hour at the end of the day can be of great psychological benefit as well.

Sir William Osler, one of Canada's greatest physicians, knew the value of alcohol for seniors. He remarked that: "Wine is for the elderly what milk is for the young." I agree with Cardinal Richelieu who remarked in 1623: "If God forbade drinking would he have made wine so good?" None of us should forget that there are more old wine drinkers than old doctors!

Ida would stress we're lucky to be living in Ontario. It's "Resveratrol Country." Canadian wines contain greater concentrations of Resveratrol than most other wines in the world. It's believed that Resveratrol helps to decrease the risk of atherosclerosis and heart attack. It's an ingredient not found in other alcoholic beverages. In fact, apart from the small amount in peanuts, red wine is virtually the only source of Resveratrol in the human diet. To purchase wine with a higher Resveratrol content look for the three letters VQA (Vinters' Quality Alliance) on the label. It's a guarantee that the grapes used are 100-per-cent Canadian.

Wine also helps to dilate blood vessels. It makes blood platelets more slippery so less likely to stick together and form a blood clot. It decreases the amount of fibrinogen in the blood, a small particle also associated with the clotting mechanism. A glass of wine is a powerful antioxidant that helps to eliminate free radicals. Free radicals are believed to cause aging and degenerative problems such as heart disease and cancer. Flavonoids present in red wine are 20 times more numerous than those in white wine and their antioxidant effect is 10 to 20 times greater than vitamin E.

Moderate drinking also increases high-density lipoproteins (HDL), the good cholesterol, that removes excess cholesterol from the blood and never forget the relaxing effects of wine. In 1994 Drs. M.R. Lipp and D. Whitten estimated that if every North American adult drank two glasses of wine a day there would be a 40-per-cent decrease in cardiovascular disease and a saving of $40 billion a year. Isn't it ironic that Ministers of Health support the tax on wine. Rather than being taxed, wine should be promoted to help decrease the risk of heart attack.

Apart from convincing Canadians to relax with a glass of wine each day what else would Ida do?

The Healthy Barmaid as Minister of Health would teach preventive medicine in the schools.

She would point out the horrendous track record of previous Ministers of Health in this area. Consider that one in three Canadians will have a heart attack by 60 years of age, that one in three will have lost not just some of their teeth, but all their teeth by age 60 and that a child born today has one chance in five of developing diabetes.

The first point she would hammer home to young people is that "good health works like compound interest." Start saving early, watch the compound interest grow and you end up wealthy. Einstein called compound interest one of the seven wonders of the world. If only I had learned this secret as a young boy I wouldn't have to come to The Empire Club for a free meal today. Similarly, the sooner you follow a prudent lifestyle the greater the chance of living longer and healthier.

The great irony is that it's easy to practice preventive medicine. There are no complex formulas. It's like pulling teeth out of a bull to motivate people to follow a good lifestyle and it's easy to identify the people headed for disaster.

Ida would tell the story about the boy who applied for a job at the railway station. He was asked this question: "Suppose you saw a train coming from the east and another coming from the west. They're both on the same track travelling at 100 miles an hour and just a quarter of a mile apart, what would you do?" The boy scratched his head and said: "I'd run and get my brother." The station master asked: "Why, in the name of Heaven, would you do that at such a critical time?" The boy replied: "Because my brother has never seen a train wreck."

All too often I hear grieving relatives who have lost a loved one say: "Why did he or she have to die so young?" Sometimes you feel like saying: "It happened because your loved one was a damn fool." He or she was grossly overweight, smoked two packs of cigarettes a day, watched TV for hours on end every week while munching potato chips, and drove the car to the corner store. A small hole will sink a big ship and small faulty lifestyle habits add up to sink humans.

Every day I see people walking through Toronto's underground who are intelligent people, but they still haven't learned the ABCs of preventive medicine. Morning after morning 95 per cent of young, healthy workers take the escalator rather than walk up 25 steps, yet these people are going to sit at their desks most of the day. Ida, as Minister of Health, would put a sign at the bottom of every escalator in Toronto's underground that reads: "This escalator is for the disabled. Take it if you want to become obese, have a premature coronary, develop brittle bones, arthritis and other degenerative problems that need not happen."

My barmaid would tell you that one of the best examples of the failure of preventive medicine can be seen aboard the nuclear aircraft carrier the USS Nimitz. It's the most powerful ship in the world and loaded with electronic equipment that boggles the imagination.

The Nimitz has 6,000 sailors on board with an average age of 19 years, but seven dentists working seven days a week cannot keep up with the dental cavities. It's ironic that you can teach these young men to manage complicated technology, but you can't teach them sound dental hygiene! If you lose your teeth it's not going to kill you, but you can eat a steak better with them. Henry Ford once offered a million dollars to anyone who could give him a good set of false teeth. He never had to pay the million! George Washington always looks tight lipped and never smiled. He had wooden dentures and they had a habit of falling out. The point is that if people can't learn to brush their teeth and floss three times a day, small wonder they commit other more serious lifestyle errors.

The Healthy Barmaid as Minister of Health would stress that obesity is the number-one killer.

Ida's most important message as Minister of Health would be a very basic one. It's not the CAT scans, MRIs that are the most important pieces of medical equipment in 1996. It's the bathroom scale. Obesity kills more people than heart disease and cancer. Today our medical system is in a financial mess, but if people could maintain a weight they would never go over, the Minister of Health could fire half the doctors and close half the hospitals. He could also inform you when he addresses The Empire Club in a couple of weeks that he will be able to balance the health budget. To be obese is to be ill. Obesity sets the stage for a variety of problems. For some it triggers sore backs, varicose veins, arthritis and surgical and obstetrical complications. Others develop coronary heart disease and hypertension.

The most devastating complication is diabetes and 90 per cent of the time it shouldn't happen. The facts are appalling. Every 45 seconds a new diabetic is diagnosed in North America. It's estimated between two and five per cent of the population are diabetic. Diabetics are 25 times more likely to lose their sight and they're 17 times more likely to die from kidney disease. Diabetes is the most common cause of blindness between 22 and 65 years of age. Forty years ago 90 per cent of diabetes was due to bad luck, inheriting bad genes. Today 90 per cent is due to obesity and for reasons that are in part puzzling, this epidemic has been swept under the rug. My barmaid would wonder why there hasn't been a royal commission to look into this epidemic. Can you imagine how many royal commissions the Minister of Health would appoint if we had a new case of polio, measles or legionnaires disease every 45 seconds!

The future looks grim. Since 1960 obesity among adults has increased 15 per cent. During the same time teenage obesity has increased 39 per cent, but for the 6 to 11 year age group it has increased a staggering 54 per cent. Neither my barmaid nor the MOH has to be a genius to know why this is happening. Children and others are getting 75 per cent less exercise than in 1960 and eating habits have changed. Consider that one potato contains 160 calories; the same amount of French fries, 700 calories; and a comparable amount of potato chips, 1,200 calories. Soft drinks contain eight teaspoonfuls of sugar.

People are also confused about nutrition. For instance, consumers today are being told to buy low-fat and fat-free products. Just because a product is fat-free doesn't mean it's calorie-free! What's happened is that as people have tried to decrease their fat intake they've increased their consumption of sugar. For parents Ida would have this advice. Some breakfast cereals are 50 to 60-per-cent sugar, so loaded that it's safer for children to eat the box! Her advice? No one, including corporations, the medical profession or the Minister of Health, is going to protect you from diabetes. You have only one good choice. Buy a scale and step on it every day.

The Healthy Barmaid as Minister of Health would defend Canadian farmers.

My barmaid is tired of hearing that it's Canadian farmers who are responsible for the epidemic of heart disease. She would tell Canadians they must rid themselves of a new disease "cholesterolphobia." She has an open mind on cholesterol, but not so open her brains fall out. She would explain that blaming the farmers, hens and cows for making CHD the number-one killer is like blaming the iceberg for sinking the Titanic. It was a foolish captain who sank this ship and it's foolish people who usually die from CHD.

What a shame that the only thing we learn from history is that we don't learn from history. Farmers have been around for hundreds of years. They've eaten an awful lot of butter and other dairy products while working on the farm and haven't died in large numbers from CHD.

Dr. Paul Dudley White, Harvard's internationally renowned cardiologist, treated President Eisenhower when he suffered a heart attack. He once told Ida that when he was an intern at the Massachusetts General Hospital it was rare to see a patient with a heart attack, in fact so rare that when someone was admitted to emergency with a coronary all the young doctors were called to see the patient.

Whether or not you die from a heart attack depends on genetics, obesity, diabetes, smoking, lack of exercise, lack of antioxidant vitamins, whether postmenopausal women are taking estrogen replacement therapy, and blood cholesterol. TV ads never tell consumers that cholesterol is a very important substance for the body. The body manufactures more than three times the cholesterol consumed in the diet. It's a major component of the wall of each individual cell. We need cholesterol to make sex hormones and it's used in a number of other metabolic processes. Without cholesterol we would die. Of course cholesterol plays a role in CHD. But it's only responsible for about 15 per cent of the cases of CHD.

One problem today is that too many people are sure that dairy products cause cardiovascular disease. As Josh Billings wrote 150 years ago: "It's not the things you don't know that get you into trouble, it's the things you know for sure that ain't so." My barmaid would explain that foolishly saying "no" to dairy products, means many people are not getting enough calcium and setting themselves up for a broken hip, severe disability or death. And women who say "no" to both dairy products and "no" to postmenopausal estrogen are in deeper trouble. It's the combination of calcium and estrogen that keeps bone strong. Estrogen is the hammer that pounds calcium into the bones.

In Canada there are one million people with osteoporosis and every year 25,000 people fracture their hips due to it. It's estimated that the complications of osteoporosis cost this country $1.3 billion a year.

The Healthy Barmaid as Minister of Health would stress that humans deserve the same nutritional treatment as gorillas!

Ida, being a very inquisitive woman, would ask this simple question: "Why do gorillas in captivity get better nutrition than humans? Why do they receive 5,000 mg. of vitamin C a day and yet the Health Protection Branch in Ottawa claims humans only need 45 mg.?" Humans and gorillas can't manufacture their own vitamin C. Most animals produce it themselves. That's why sailors died on long sailing trips to the new world, but the ship's cat always survived.

Ida would point to studies showing that people taking both vitamin C and E have less chance of developing heart disease and cataracts. She would argue that taking these vitamins and preventing these problems would again save this country millions of dollars.

Vitamin E has several functions. One is to increase the oxygen-carrying capacity of the blood. To emphasise the importance of E she would tell this story.

An 82-year-old man had to stop playing tennis. His arteries were unable to carry enough oxygen to the muscles. The result? He could only walk a few steps before developing leg cramps. He had three operations for blocked arteries to try to unblock the arteries yet he still could only walk a short distance. He then read a column on vitamin E, started taking it and in a few months was back to playing tennis! Now at 85 years of age Ramsey Fraser is still playing tennis. If he keeps up with his E and that glass of wine he'll be on the courts at 95.

The Healthy Barmaid as Minister of Health would have this message about cancer patients.

My barmaid has heard doctors telling tales in her London pub for the last 40 years. It's made her a bit sceptical of how doctors treat patients. Ida would agree doctors do much more good than harm, but in some instances it's better to run for the woods than accept medical care and she would tell this story.

A married couple had a rather bad altercation. The husband accused his wife of a variety of imperfections. Finally as he stormed out of the house he said: “And, in addition, you are a lousy lover.” A few nights later he returned home, walked into the bedroom and found his wife in bed with another man. She calmly looked up at him and said: “I decided to get a second opinion.”

Every year I receive letters from readers who have had radical cancer operations and who wished they had asked for a second opinion. All too often they complain that they would not have agreed to the operation if they had been advised of all the complications. There’s a great tendency for surgeons to underestimate the after-effects of radical surgery. I’m convinced that some surgeons suggest operations to patients that they would never submit to themselves. There’s no better example than subjecting elderly males to radial prostatectomy. This always leaves many incontinent and there’s no quality of life if you end it in diapers. The great tragedy is that, for elderly males who develop cancer of the prostate gland, the prognosis is the same whether they have radical surgery, radiation, chemotherapy, a combination of all three or do nothing, since it is a very slow-growing malignancy.

Ida would advise it’s often better to live with the devil you know than the devil you don’t.

My barmaid is a very compassionate woman with very specific ideas about cancer pain. She would tell you this story. A friend once asked a widow: “Did your husband die a natural easy death?” The women replied: “Oh no, he had a doctor”!

She would find it intolerable that in Canada 50 per cent of cancer patients die in pain. She would urge doctors to use heroin which was legalised for medical use in 1984. If they refused to do so when other painkillers had failed, families should sue both the doctor and the hospital. Malpractice occurs when a surgeon amputates the wrong leg. It's also malpractice when patients are allowed to die in severe pain when it can be prevented.

She would also urge other Ministers to allow Canadians riddled with cancer or other frightful diseases, such as Lou Gehrig's disease, to be treated as one would treat a loving dog, to have the right to end their lives in peace with assisted euthanasia.

The Healthy Barmaid as Minister of Health would have a message for the deans of Canada's medical schools.

There is a cartoon hanging on the wall of The Red Lion pub. It depicts a doctor saying to a patient: "Of course you don't understand what I'm saying. You're not supposed to!" My barmaid would tell the deans we're graduating too many doctors who are book-smart in mathematics and chemistry, but some can't talk to a wall. If you can't communicate you cannot sell used cars or relieve patients of their worries. She would urge deans of medical schools to place more emphasis on communication skills when selecting students and on family doctors who are still the backbone of medicine.

She would tell them this true story about a patient who had just had his gallbladder removed and was in the recovery room. The surgeon was worried about the man's breathing so he called in an ENT specialist who was also concerned about his breathing. Finally he decided the patient needed an emergency tracheotomy or he would die. Just as the patient was being wheeled back to surgery the family doctor arrived. The surgeons explained the problem. He too listened to the man's breathing. He merely looked up at these two specialists and said: "Hell, George is OK. He's always breathed that way!" End of operation.

The Healthy Barmaid wouldn't mince words about our troubled health-care system.

She would remind the public and her fellow politicians that no country has enough money to give everyone all the health care he or she demands. Any fool could have seen that our open-ended health-care system would collapse, but previous Ministers of Health had for years been blind to this fact.

She would tell the story about a U.S. economist who likened our health system to giving his daughter an American Express card on graduation and then saying to her: "Darling, go out and buy anything you want." He added: "If that doesn't scare you, I'll lend you my daughter!"

My barmaid would urge the public not to run to the doctor for every ache and pain. Ontario spends $100 million a year treating the common cold. This money could be saved if people with a cold considered Jewish chicken soup. She would suggest there are also times when Sir William Osler's remedy made sense. He suggested that the best way to treat a cold was to "put your hat on the bedpost and start drinking whisky; Stop when you see two hats!"

My barmaid would have harsh words for lawyers for the way they have abused the health-care system. She would agree with Shakespeare when he wrote: "Let's first shoot all the lawyers," but she would suggest that enough bullets should be saved for the politicians—politicians who have done nothing to tighten laws that allow frivolous malpractice actions demanding millions of dollars. Laws must be enacted to stop this trend. If not, doctors will continue to practice defensive medicine spending millions on tests that are not needed. Funds could be better used elsewhere.

In one particular area, my Barmaid as Minister of Health, would make Margaret Thatcher look like Joan of Arc. She would urge that laws should be enacted similar to those in Singapore on the use of illegal drugs. Her reasoning is simple. Easy laws on drug pushers are costing millions of dollars in medical treatment. Every day you can see the cost in our hospital emergency departments—drug addicts being treated for overdoses; pregnant women on crack cocaine giving birth to brain-injured children; and surgery to treat gunshot wounds. There are also the costs of psychiatrists and social workers, not to mention the costs of stolen cars and home break-ins to provide funds to purchase these drugs.

She would stress that Aristotle was right when he preached 2,000 years ago that "punishment is a form of medicine" and that all those who think otherwise should have been with her in Singapore when she talked to government officials. If punishment doesn't work, how does one explain that Singapore has not needed to increase its police force for 27 years; that you can walk around that city at 3:00 in the morning without worrying about being robbed or mugged; that there hasn't been a bank robbery for 10 years; and that everyone knows what happens to those who push illegal drugs? Singapore officials aptly describe our western society as being "irresponsibly permissive" —two words that none of us should forget.

We need more than money to save what we have left of our fractured health-care system. Last year the world budget for medical care was $1,700 billion. It is appalling that the U.S. spent 41 per cent of this amount! What did it accomplish? Look around you in a U.S. supermarket and you will see that it had little or no effect on their lifestyle.

It's never been more important to instil common sense in medical care. Good sense has become such an uncommon commodity in 1996 that now it's often mistaken for genius.

In closing, there is no need to have a coronary by 60 years of age, no need to be toothless at 60 or for one child in five to be a diabetic. Surely when we can send rockets to Mars we should be able to teach preventive medicine to Canadians here on earth.

It is my barmaid's hope books such as "The Healthy Barmaid" will help to fight diseases that should not happen, ones that should not be discussed today such as needless teenage pregnancies, sexually transmitted diseases, smoking that causes a host of needless disease and other problems.

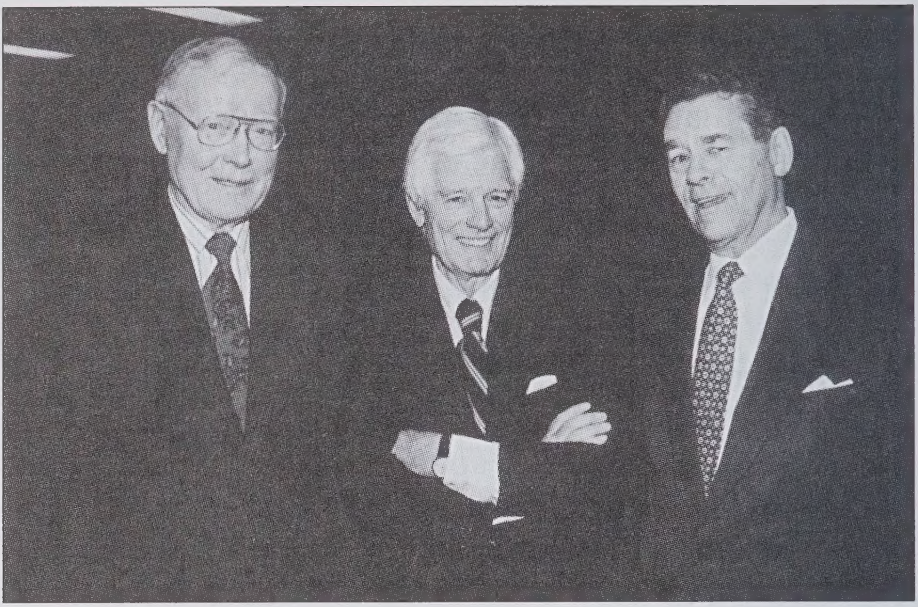
To get The Healthy Barmaid past the school's front door is a challenge. My barmaid knows that several months ago the author was asked to speak on lifestyle to high school students in the Toronto area. He agreed to do so, but a week later the speech had to be cancelled. School officials had discovered the book's chapter on the medical benefits of alcohol and this made the book unacceptable! We all know what else is allowed in the schools today all because we have become "irresponsibly permissive."

In closing, well-being can be accomplished if all Canadians, and the Minister of Health, realise that rule number one to circumvent disease is to practice prevention at an early age and that rule number two is never, never to forget rule number one.

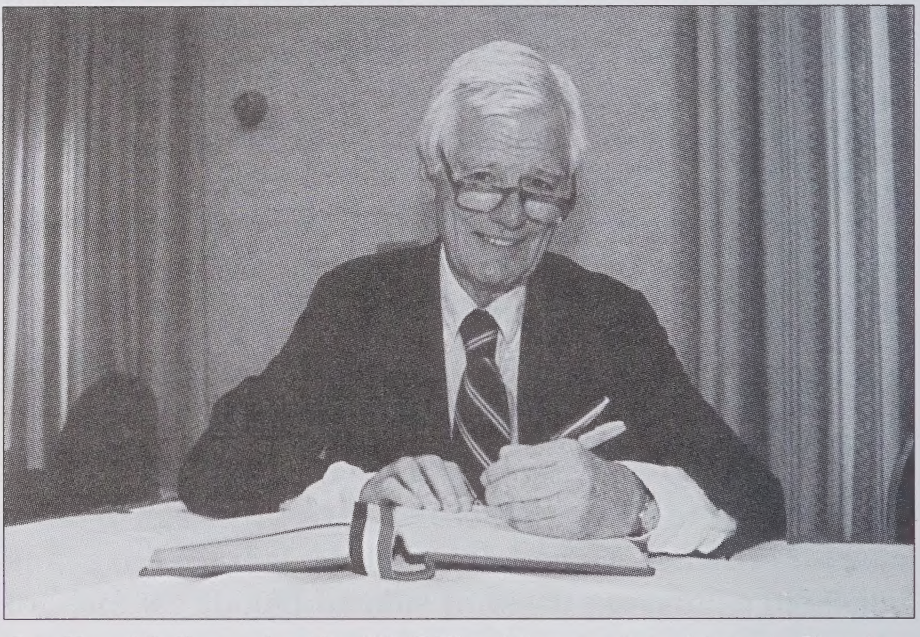
Until that time comes, too many Canadians will continue to be the architects of their own misfortune, or as Pogo says: "We have identified the enemy and the enemy is us."

It's been a pleasure talking to The Empire Club and Ida, my Healthy Barmaid, is holding her breath in the wings hoping to be called as your next Minister of Health.

The appreciation of the meeting was expressed by William Whittaker, Q.C., Partner, Lette, Whittaker and an Honorary Director, The Empire Club of Canada.



William Sommerville, Chairman, Ontario Pension Board with guest speaker Dr. Ken Walker and Past President of The Empire Club, Dr. Eric Jackman.



Dr. Ken Walker, aka Dr. W. Gifford Jones signs historic Empire Club book.

April 18, 1996

David Martin

President, Ontario Hospital Association

TILL DEBT DO US PART

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

Willis Blair, Member, Toronto East General Hospital Foundation and Secretary, The Empire Club of Canada; Sonya Paisley, OAC student, Forest Hill Collegiate Institute; Major Wil Seabright, Chaplain, Scarborough Grace Hospital; Mark Rochos, President and CEO, Humber Memorial Hospital; Elizabeth Forster, Partner, Blaney McMurtry Stapells Friedman; Stephen Pustil, President, Penwest Development Corp. and Chairman of Region 3, Ontario Hospital Association; Jan Dymond, Vice-President, ZED Communications and a Director, The Empire Club of Canada; Murray MacKenzie, President and CEO, North York General Hospital; Paul Newton, Vice-Chairman, Ontario Hospital Association and Associate, Royal LePage Commercial Real Estate; Brian Birkness, Past Chairman, Ontario Hospital Association, Past Chairman, Ontario Blue Cross, Partner, Deloitte & Touche and Member of their National Health Care Committee; and Margaret Mottershead, Deputy Minister of Health, Government of Ontario.

Introduction by David Edmison

On November 16, 1989 The Empire Club hosted a lunch featuring David Martin, our honoured guest today, as keynote speaker. Mr.

Martin spoke to the Club in his capacity as President of the Hospital for Sick Children. He concluded his remarks by saying that our political leaders had to make some difficult choices in order to ensure the maintenance of quality health care in this province. He said: "I hope we do not wait until a VIA-Rail-type solution is upon us." VIA Rail, as you may all remember, was forced to drastically reduce service, staff and outlying routes due to funding cuts.

Well here we are six and one half years later and many feel that the Ontario hospitals are indeed experiencing a VIA-Rail-type situation. Hospitals around the province are having to radically restructure their operations and rationalise their services in the face of funding cutbacks. In fact over the next three years hospitals will lose 18 per cent of their budgets or $1.3 billion. Responding to these cutbacks, hospitals around the province have had to become more efficient by closing unproductive facilities, combining purchasing power and moving toward regional specialisation. These changes have not been easy, nor have they come about without a human cost. Like the VIA-Rail situation there is still a great deal of uncertainty about which services will be affected and no one is quite sure when the next derailment will occur. In view of an aging population, it becomes more than an academic question to ask what is the future of health care in this province?

Returning to this podium to address these and other issues currently facing our care-giving institutions is the station master of the Ontario Hospital Association, our distinguished guest, David Martin. Mr. Martin, during his term as interim President, has headed an organisation representing more than 200 public hospitals in Ontario. Founded in 1924 as an independent, non-profit organisation, the OHA is governed by a 26-member Board of Directors made up of trustees and CEOs across the province.

Our guest has an impressive track record of over 35 years of managerial experience at all levels within Ontario's health-care system and is well qualified to impart his knowledge on this important subject.

He is an accountant by training and served as President of the Certified General Accountants Association of Ontario and as a board member of the Canadian Certified Accountants Association. From 1971 to 1982 he was Executive Director of the Ontario Crippled Children's Centre and from 1982 to 1986 he served as President of the Toronto East General and Orthopaedic Hospital, the first President to be appointed under the new supervisory legislation passed by the provincial government. He then, of course, became President of the Hospital for Sick Children in 1986 until his retirement in February 1994. Mr. Martin was recruited out of retirement as interim President of the OHA, a position he has held since October 1995.

During his distinguished career our guest has developed a reputation for effectively managing change in organisations confronted with fiscal and management problems. Also an educator, he is an assistant professor in the Department of Health Administration at the University of Toronto, Faculty of Medicine.

Mr. Martin is active in a host of organisations. He has served as Vice-President and President of the Ontario Council of Teaching Hospitals and on the executive committees of the Canadian Association of Teaching Hospitals and the Toronto Academic Health Sciences Council. He has also served on the boards and council of the Canadian Association of Paediatric Hospitals, the Metropolitan Toronto District Health Council, the Hospital Council of Metropolitan Toronto and the Association of Treatment Centres of Ontario.

The health-care industry, and the Ontario hospitals in particular, are facing unprecedented challenges. Like VIA Rail several years ago the industry is experiencing turbulent times, and if there seems to be light at the end of the tunnel, I can think of no one more qualified to determine for us if it's reason for hope or just another oncoming train.

Ladies and gentlemen, would you please welcome our distinguished guest, the interim President of the Ontario Hospital Association, David Martin.

David Martin

Thank you for that introduction. It's an honour to be here for a return engagement. When I addressed The Empire Club in 1989, just six years ago, I suggested that our health-care system could not survive in its present form without a serious overhaul including a new approach to funding of services. The Minister of Health at the time was not amused, and suffered a rather severe case of dyspepsia. Today, the remarks I made wouldn't cause a ripple.

I have spent my entire professional life working in Ontario's health-care sector. I have been both a decision maker, and a consumer of health-care services. And, of course, I'm a taxpayer.

I appreciate our system for the world-class, complex—and expensive—achievement that it is. I can tell you that it is the equal of any system anywhere, and better than most. At the same time, I know that restructuring and reform here in some ways lag behind other jurisdictions. Some look at our system and see how much has been accomplished in terms of restructuring in the past few years. I look at it and see how much more is needed.

The biggest single challenge that we face in health care is to deliver high-quality medical care while we change what we do and how we do it. The driving force has not been purely for medical reasons, but rather the economics that are re-shaping all of society, not just our health-care system.

The theme I have chosen for my talk is "Till Debt Do Us Part." I chose that because of my concern both as a health-care manager and a taxpayer that debt is dividing us and preventing us from moving ahead. Our federal and provincial governments today are constrained by debts and deficits that are the legacy of past and current governments. No one wants taxes to go up to support continued increase in that indebtedness. It would drag down individuals, businesses and, ultimately, the provincial and national economies.

The Ontario government has taken every opportunity to remind us that, every hour of every day of every week, it spends $1 million more than it takes in. Last year, it spent $9 billion on interest charges alone—one of the largest single categories of government spending. In fact, on an annual basis, it's more than the cost of managing all our hospitals.

Debt, and deficit. These two fiscal forces have overwhelmed the abstract debates of planners and policy makers. Governments everywhere are trying to strike a balance between what we want, and what we can afford.

Ontario voted for change in 1990, and ended up five years later $50 billion deeper in debt—a debt that won't be paid off in my lifetime, and probably not in yours.

Some people are now stunned by how fast the Ontario government has moved since it came to power last June. But, as the Tories keep saying, they are simply doing what they said they would do—and, through measures like the controversial Bill 26, giving themselves extraordinary power and authority. This would have been unheard of five years ago.

Health care accounts for just under one-third of provincial government spending. Clearly, you can't re-invent government without touching that sector. And the two largest components of health-care spending are physicians' fees and hospital costs—two groups that have been targetted in the reform agenda.

Last November, the province announced major cuts to hospital spending—a first in Ontario's history. Hospital funding will be reduced by $1.3 billion, or 18 per cent, over the next three years.

The cut this current year is $365 million, or five per cent. Next year, it will be six per cent; and the year after, eight per cent. When you consider inflation, and the expiry of the Social Contract at the end of last month, that 18-per-cent reduction will be closer to 25 per cent. It is impossible to predict what the system will look like three years from now, except to say that it will certainly be a lot more streamlined. There's no question there will be serious consequences, in terms of services, employment and in the number of hospitals that survive.

Hospitals and the medical profession have both been through major changes since I spoke here in 1989. At that time the wounds from the physicians' 1986 strike over extra-billing were still open. Back then, hospitals were still accustomed to major increases to their annual base budgets as costs were driven up principally by arbitrated labour settlements in the range of seven and eight per cent and expansion of medical services. It was a controversial period—although from today's vantage point, it looks like the "good old days." That's how far we have come.

Doctors' incomes have been capped, reduced by 10 per cent, and millions of dollars are actually being clawed back from individual physicians by the government. Newly-trained doctors may not be free to live and practice where they wish. As hospitals close, merge and focus on their "core businesses," established specialists may not be able to retain their hospital admitting privileges. Under Bill 26, if doctors do not have admitting privileges, they will not be able to obtain billing numbers, and therefore will not be able to practice. The Metropolitan Toronto District Health Council has recommended closing 11 Metro hospitals and yet I have heard no discussion of how these hospital closures will affect doctors. We are in danger of creating a generation of lost physicians. Meanwhile, physicians in academic health-science centres are willing to consider options like going on salary as an alternative to fee-for-service. In fact, all the medical staff at the Hospital for Sick Children in Toronto have agreed to move to fully salaried positions, abandoning fee-for-service. That is happening in the Kingston teaching hospitals as well.

Primary-care physicians are increasingly interested in capitation arrangements, where they would be paid based on the number of people who register as clients for their services. However, there is a place for salaried and fee-for-service physicians in this complex system.

Still, the day is not too far off when we are likely to see unemployed doctors in Ontario, something that has already occurred in many European nations as a result of reform.

When I was at the Hospital for Sick Children, our strategic plan said that the most significant problem the hospital would face in the future would be the ability to attract and retain world-class medical and professional staff. Patients do not go to a hospital because it has the best board or administration. They go for the best possible medical care. That major challenge must always be in the forefront as reform and restructuring occur.

Like the medical profession, hospitals have changed dramatically. Until about the 1940s, they required little investment except in bricks and mortar. They were labour intensive to operate, however—as they still are today. As Peter Drucker has written, modern hospitals are among the most complex, capital-intensive organisations in existence today. They require enormous investments in sophisticated technology such as ultrasound, scanners, and magnetic resonance imagers, or MRIs. Those new technologies are accompanied by the need for additional, highly-paid staff with new specialised skills. They don't reduce staffing needs.

About 75 per cent of a hospital's operating budget goes to salaries and benefits. You don't have to be an economist to realise that managing an organisation that is both labour-intensive and capital-intensive is a difficult challenge. Adding to that mix, our health-care system is both publicly and politically driven.

There have been enormous changes in the delivery of hospital services in the past few years. Better diagnostic imaging, new surgical techniques and drug therapies have made possible a shift away from lengthy hospital stays. Medical devices—for dialysis, as an example—are becoming much more portable. Increasingly, many hospital admissions are avoidable. Fewer people are admitted to hospitals, and when they are admitted, they stay for a much shorter period of time.

For example, I had gallbladder surgery in the late 1970s. The incision was huge, and I spent nine days in the hospital. I probably wasn't fully recovered for six months. Today, that operation is done using minimal invasive surgery, and the scar is the length of a small paper clip.

For routine cases, patients go home in less than two days on average. In fact, more than three per cent of routine gallbladder surgery is done as day surgery.

Hospital in-patient days are dropping, and out-patient treatment is soaring. Overall, the number of people treated in hospitals is increasing, and so is the need for care in the community and in the home. This shift has happened without major criticism or concerns from the public. Between 1990 and 1995, the total number of hospital beds in the system went from 48,600 to 39,700. That's a drop of almost 9,000 beds in six years, which would be equivalent to closing 18 500-bed hospitals and yet, up to now, there have been relatively few hospital closures, mergers or amalgamations. There are many ongoing restructuring studies and reports—about 30 of them, all over the province, but over the years, the health-care system has been studied into paralysis. That inaction is about to change.

Bill 26, the controversial omnibus bill, created the Health Services Restructuring Commission. As I said earlier, it was given a broad, sweeping mandate for change. The Ontario Hospital Association appreciated the need for enabling legislation like Bill 26 to overcome barriers to change where necessary. We opposed many of the Bill's original provisions, and proposed changes such as the four-year sunset clause for the Commission, a recommendation which was accepted.

The Commission's first task is to review the hospital restructuring reports prepared by District Health Councils across Ontario. It will then either act on recommendations for hospital closures, mergers, amalgamations, or amend and implement the plans. For the first time, we have an opportunity to move restructuring away from the public, political sphere. Dr. David Naylor, the head of the Institute for Clinical Evaluative Sciences in Ontario (ICES) and a special adviser to the Restructuring Commission, recently said its members will try to de-politicise and de-bureaucratise some of the more difficult decisions.

The Commission is looking for swift results, in the public interest. As Dr. Naylor said, the winners must be our fellow citizens, both as patients and taxpayers. If action isn't quick, the losers will be the next generation. It might be considered the "ultimate weapon" for imposing restructuring where there is no consensus, but I sincerely hope that voluntary action will minimise the need for forced restructuring.

Right now, we are going through an unprecedented age of social transformation. In these final years of the 20th century, we are experiencing changes as significant as the industrial revolution was in its time.

The infrastructure of the health-care system that has been evolved in North America during this century has been characterised as the "medical-industrial complex." But we now know that spending more money does not necessarily yield equivalent benefits when it comes to the overall health of the population. It is not surprising that the system in Canada, and here in Ontario, is going through the greatest change in history. The greatest need is to perfect outcome measurements that will guide us to more efficient and effective medical management.

In 1994, per-capita expenditures on health in this province came to just over $2,000 for each individual. The Ontario government's share of that amount was $1,700 and that's a lot of money.

There has been a great deal of talk, in the name of reform, about measures such as de-listing insured services, co-payments or user fees, health taxes on employers and individuals, and finding the right mix of public and private financing of health care. What often gets overlooked in this debate is that these approaches do not reduce costs. They shift them.

Cost-shifting doesn't make the system more efficient, but it does affect corporate bottom lines and competitiveness. For example, between 1990 and 1994, members of the Employers' Committee on Health Care in Ontario, ECHCO, experienced a 74-per-cent increase in the cost of providing supplementary health and dental benefits for their workers. The public-sector spending accounts for almost three-quarters of total health-care spending. Private-sector spending on privately insured or uninsured services has crept up from 23.6 per cent to almost 30 per cent since 1975. That money comes either from individuals, employers, or private insurers. But cost-shifting is a shell-game that often has unintended consequences.

For example, just a few years ago, the government changed its policy on OHIP coverage for snowbirds and other travellers. With insufficient warning from government, out-of-province OHIP coverage was capped at $400 per day. That off-loading caused Ontario Blue Cross to lose $15 million, which in turn caused OHA to focus on potential liability at a time of significant turmoil in the industry. The result was a refocusing of OHA on its core business of advocacy, education and labour relations, and the sale of Blue Cross to the Liberty Mutual Insurance Company.

Since OHA has been so much in the news recently, let me tell you a little about what has happened in the past six months. In the past few years, it has downsized from 650 employees to 82, while divesting itself of a number of operations, including Blue Cross. I am pleased to say that OHA's Board recently approved the creation of two separate entities—a foundation and a trust fund—with the proceeds of that sale. Greystone Hospital Trust will use roughly $50 million to generate a revenue stream that will allow OHA to help support hospitals, while keeping the capital intact.

The Change Foundation will use a similar amount to provide funds supporting research dedicated to improving the delivery of health care. Hospitals and other health-related organisations will be able to apply for grants aimed at improving the system.

I want to say that the changes at OHA—through divestment, downsizing and restructuring—mirror changes that have occurred in the business sector in the past decade, and the changes that lie ahead for the other elements of the broader public sector. They also illustrate the gains that effective management can create. For example, OHA's bottom line last year was a $6 million loss. That has been transformed to a projected surplus of $1 million for the fiscal year that began April 1 and that will be done while reducing the membership fees to the hospitals by 25 per cent over the next three years.

I can tell you that the OHA is a leaner, more effective organisation today that it has ever been. In bringing this about, it has been essential to set priorities and that is true of the health-care sector as a whole.

To date, most of the debate about health-care reform has been about who will pay for what services. We have not yet focussed clearly on measuring outcomes and determining which services are worth paying for. That is the question that all governments are coming to terms with, in health care and other sectors, such as education. There's a growing need to get the best value possible for the money spent, because the debt is eating into what resources are available. In health care, that applies equally to clinical and management functions.

This has prompted innovative initiatives such as the Institute for Clinical Evaluative Sciences in Ontario—ICES—which is focussed on identifying and analyzing regional variations in medical practice, in an effort to determine "best practices."

I have to say that I find it curious that the government has no dedicated funding for ongoing research to directly address efficiency and efficacy, when assessing outcomes is the key to getting value for money spent.

Another progressive partnership within the health-care sector is the Joint Policy and Planning Committee, or JPPC, a partnership between the OHA and the Ministry of Health. That has been among other things, a forum where hospitals could argue for a formula that attempted to link funding cuts to efficiency, rather than have them imposed across the board.

In the future, hospitals will be funded on efficiency determined by comparative costs. The case-costing method is being developed jointly by OHA and the Ministry through JPPC.

I am here to say that the best solutions for the challenges in health care must come from the health-care sector itself. Imposed solutions will be second-best. With that in mind, I'm pleased to say that the OHA Board has formalised its support for JPPC, through a cost-sharing arrangement with the Ministry of Health. As I said earlier, we must change what we do, and how we do it. It's the same challenge the government faces as it tries to balance services and available resources.

Public expectations of social programmes like medicare and pensions have risen steadily over the past generation. The fiscal crisis has created growing awareness and acceptance that those expectations simply can't all be met. As a society, we are coming to terms with the fact that the old pattern of reliance on economic growth and debt has ended. Open-ended, unlimited access to social programmes—including health—is simply not affordable.

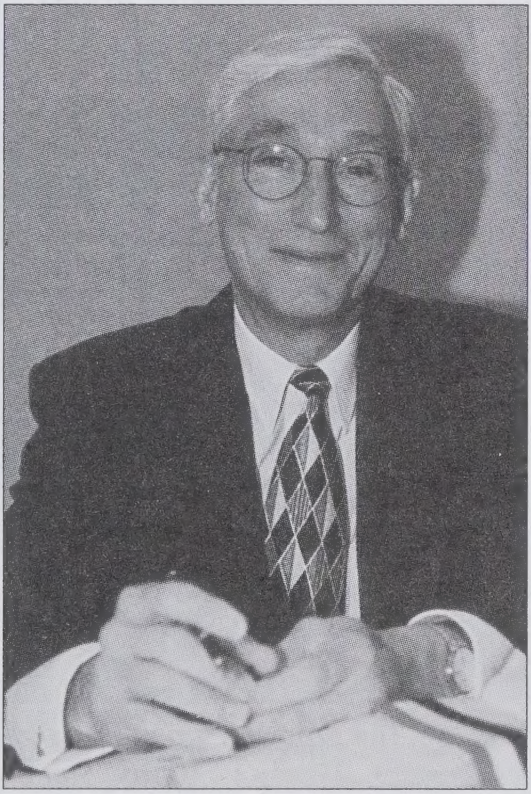
Medicare is a sacred institution in Canada. It is based on values that distinguish this country from every other in the world. But we are engaged in a struggle with the relentless forces of debt and deficit, which are driving changes to our social programmes.

Ontario has just been through an unprecedented five-week labour dispute highlighting the divergent forces that impact our current situation. The people of Ontario have accepted the need for change. They understand that debt is parting us from the familiar ways of the past, but debt and deficit have also helped create a shared vision. Our challenge is to provide within the resources available, a health-care system that is effective and efficient, delivering the highest-quality care possible. We cannot just shrink the system. It must change substantially. Fortunately, that change is underway.

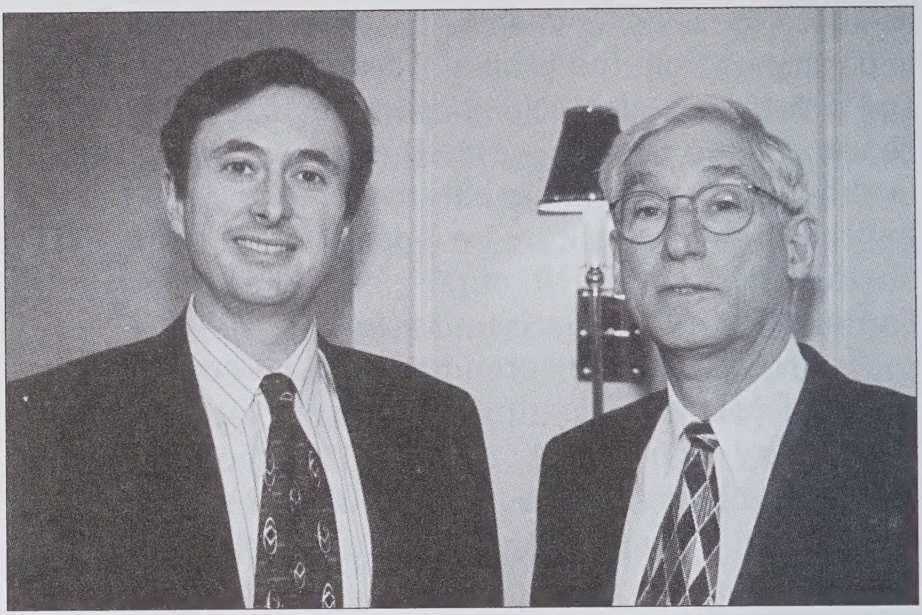
As I retire—for the second time—I am confident that our leaders are pulling together, down the same path. That is very encouraging.

Thank you.

The appreciation of the meeting was expressed by Jan Dymond, Vice-President, ZED Communications and a Director, The Empire Club of Canada.

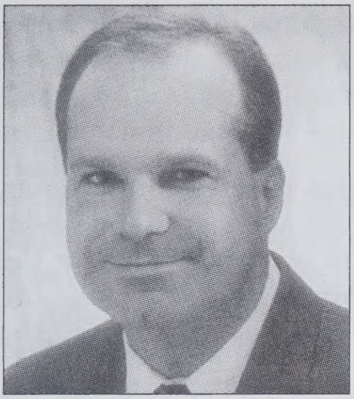


David Martin signs Empire Club yearbook.



Paul Newton, Vice-Chair, Ontario Hospital Association with guest speaker David Martin.

Jan Dymond, Director, The Empire Club of Canada with Elizabeth Forster, Partner, Blaney McMurtry, Stappells and Friedman.



April 26, 1996

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Jim Wilson

Minister of Health, Ontario

NEW DIRECTIONS IN ONTARIO HEALTH CARE

Chairman: **David Edmison**
President, The Empire Club of Canada

Head Table Guests

David Mawhinney, grade 12 student, Humberside Collegiate Institute; Edward Nelles, author and businessman; Luc Gregoire, Vice-President, Finance, Merck Frosst Canada; The Rev. Canon Harold Roberts, Rector, St. Timothy's Church, Agincourt and a distinguished Past President, The Empire Club of Canada; Karl Parker, Vice-President, Government and Public Relations, Pfizer Canada Inc.; Harvey Shapiro, President and COO, Dynacare; Brad Nullmeyer, Executive Vice-President, Newcourt Credit Group; The Hon. Judy Erola, President, Pharmaceutical Manufacturers Association of Canada; Tom Wells, President, T.L.W. Consulting, former Ontario Minister of Health and a Director, The Empire Club of Canada; Claire Tacon, grade 12 student, Havergal College; Dr. Eric Jackman, President, Psychology Foundation of Canada, Chairman, Jackman Foundation and a distinguished Past President, The Empire Club of Canada; Dr. H. Ross Mackenzie, Vice-President and Chief Medical Director, Sun Life Assurance Company; Catherine Charlton, Principal, Charlton Management and a distinguished Past President, The Empire Club of Canada; Vic Ackerman, President and CEO, Hoffmann-LaRoche Ltd.; and Rob Last, Regional Director, Ontario, Glaxo Wellcome.

Introduction by David Edmison

In January 1922 a dying 19-year-old boy was injected with a serum that would have a profound effect on his life and indeed the world. Leonard Thompson was the first person to be given insulin for the treatment of the fatal disease diabetes. Working out of a lab at the University of Toronto, Doctors Banting and Best discovered the cure by testing the cells of the pancreas.

It is this and other discoveries by innovators that have advanced the power of medicine and, in many ways, given us the quality of life we enjoy today. We often only think of health care from our own personal perspective; a trip to the doctor or hospital, when in fact, it is a complex system involving the co-ordinated efforts of business, government, our educational institutions, health-care professionals and all of us.

To date in this "Health and Society" series we have heard from three distinguished guests, experts in their respective fields, on some of the vital issues concerning our health-care system. We have learned that spending money on health care does not in itself guarantee a country's overall health. We have learned the correlation between economic well-being and physical well-being and we have been enlightened on lifestyle issues and the need for more common sense. Some of our speakers have also offered advice to today's special guest. It is therefore quite appropriate that, as our final speaker in this series, we welcome The Hon. Jim Wilson, the Minister of Health. Mr. Wilson has the daunting task of overseeing one of the most important portfolios in our government and one undergoing radical change.

Mr. Wilson was first elected to the Ontario legislature in September 1990 as a member for Simcoe West. During his first term in opposition, our guest served as Conservative critic for Tourism and Recreation and was appointed Health critic in September 1991. In addition to these responsibilities he was a member of the Standing Committee on Social Development. He has served on the Ontario Progressive Conservative task forces on Small Business and Rural Economic Development and was a member of the Progressive Conservative Health Advisory Council. He successfully sought re-election in June 1995 and was subsequently appointed to his current portfolio.

Mr. Wilson was born in Alliston, Ontario. He completed his formal education at the University of Toronto where he studied

Political Science and Christian Studies. He earned his political stripes as constituency assistant to George McCague, the former Chair of the Management Board of Cabinet and as a special assistant to The Honourable Perrin Beatty, a former federal Minister of Health.

Hippocrates wrote in 400 BC: "Healing is a matter of time; it is sometimes also a matter of opportunity." Leonard Thompson was given a new lease on life back in 1922, thanks to opportunities given to him by two brilliant Canadian doctors. Our guest today has the task of ensuring that the health-care system in this province can manage the current challenges and capitalise on the opportunities. These are uncertain times, requiring leadership, consensus and creativity. There are no easy answers; agreeing on the questions is hard enough, but in the face of these perplexing issues, we are fortunate to have a health-care system that is accessible, humane and, indeed, in many ways, the envy of the world. While we can be proud of this, it just makes the stakes higher for our guest as he looks to the future.

Ladies and gentlemen, would you please welcome our distinguished guest The Hon Jim Wilson, Minister of Health.

Jim Wilson

Thank you for your kind invitation to be here today. I want to congratulate The Empire Club of Canada for organising this series of luncheon events addressing some of the key topics in health care in Ontario and Canada.

Each of the previous speakers in this series has addressed a number of specific areas of health care: from hospitals to the role of the private sector.

You've had speakers ranging from an endorsement of hospital restructuring from the OHA to a suggestion that the Minister of Health relinquish his duties to an 85-year-old healthy barmaid. I particularly enjoyed the healthy barmaid speech because it talked about carousing and having a good time. One thing I can say is that as Health Minister I have no time for fun.

However, it is an interesting concept having an 85-year-old healthy barmaid as Minister of Health—but I have to tell you that after our government's announced cuts to

MPP salaries, pensions and allowances, I think she'd be better off staying as a barmaid. At least then she can continue to earn some of her income on a tax-free basis.

Someone asked me if I was nervous about speaking to such a prestigious group. I said of course I was but at least I know that my sister is in the audience today—so if only one person is clapping at the end, we'll know whom it is! My sister told me yesterday that she thinks that since I became Health Minister, I'm losing my hair faster than Jean Chrétien's losing caucus members!

Today, I want to talk to you about the government of Ontario's new directions for health care, our priorities for change and your role in making these changes happen.

I have just returned from a meeting in Ottawa of the federal, provincial and territorial ministers of health where we met for two days to discuss health care in Canada. One thing became very clear—all Canadians value the health-care system that has developed in this great country. They value it and they are concerned about it. This makes me more determined than ever to improve our health-care system for Ontarians.

Our government is committed to maintaining health-care funding at $17.4 billion. We are working to improve our system, but to do that we must make fundamental changes. The Mike Harris government is making those changes to the way our government works. This means doing better for less in many areas. In health care, it means doing better with the same amount of money.

Our plan is to restructure government on behalf of Ontario taxpayers. The aim is comprehensive, but clear: reduce costs, balance our budget, create jobs and restore opportunity and hope for Ontarians. We are moving out of the direct delivery of services that can be done better by others. We are creating a more efficient and effective government by cutting waste and eliminating duplication. We are determined to spend the taxpayer's dollar more wisely and more efficiently. That's why we took immediate steps to cut government overspending—$1.9 billion in expenditure reductions last July and a further $3.5 billion more in the November Economic Statement—difficult but necessary steps to get control of a rising deficit and create a positive climate for investment and job creation. Our actions today are only the beginning.

Each cabinet minister has been asked to evaluate his or her ministry. For the first time business plans for each ministry are being developed. These business plans will include results-based performance measurements to allow taxpayers to determine the effectiveness of each core programme and service—something that has never been done in the Ontario government.

My Ministry has spent a great deal of time and effort in developing a solid business plan that affects every area of the health-care system under my jurisdiction. We are currently putting the finishing touches on this plan.

The most interesting thing that we have learned in the process of developing this plan is how obvious it is that Ontario's health-care system must change. And it must change now. We need a long-term strategy. We need a break from the short-term ad hoc changes of the past that were implemented without any focussed plan telling Ontarians where they were going. In short, we need a plan to guide our decisions. The status quo is simply not an option.

Think how far we have come over the past several decades. Where once we relied on large central hospital institutions to treat patients, we now have a mix of home, community and hospital care. Where government paid for everything with open-ended payments like a bottomless money pit, we now work smarter, within global budgets and fiscal envelopes.

We are searching for new solutions and new directions. In the Ministry of Health, new direction begins at the top. Let me tell you how.

We are redefining the Ministry's role in health care in five fundamental ways.

- We are moving away from the role of direct service provider to being an effective manager of the broader system.
- We will go from being simply a passive payer to active manager.
- We will shift from a fragmented system to integrated programmes breaking down the silos we so often hear about. For example, we've heard many times that this integration is badly needed between hospitals and community-based programmes.
- We will go from merely processing millions of health-care transactions each year to strategically managing, monitoring and protecting health information and systems.
- Finally, we will no longer accept the notion that government must operate and administer all Ministry services. We believe that public-private partnerships can be forged to bring about cost savings, efficiencies, and ultimately better direct patient care.

Our new direction for health care will result in seamless and accountable care for Ontarians, integrating assessment, diagnosis, treatment, care, illness prevention and health promotion.

Since last summer we have made numerous reinvestment announcements supporting this new direction. Money saved from other areas was shifted to more direct patient-focussed priorities. These announcements have included:

- expansion of dialysis services for kidney patients province-wide;
- restoration of out-of-country health coverage for Ontarians;
- expansion of the Trillium Drug Programme to make it easier for another 140,000 working poor Ontarians to receive assistance with high drug costs;

- a second immunisation for school-age children that will virtually eradicate measles in our province over the next two years;
- more funds to ensure emergency-room physician services in small rural and northern hospitals. To date this has allowed over 60 hospitals to restore or maintain 24-hour emergency room coverage—something most of us in large urban centres take for granted;
- more money for cardiac surgery to dramatically reduce waiting lists beginning this year;
- repatriation of Ontario residents with acquired brain injury from the United States to receive care in Ontario facilities closer to home, family and friends;
- enhanced Level-Two paramedic training through the Ontario Pre-Hospital Advanced Life Support Project; and
- funding for more diagnostic MRI technology throughout the province. In total, we will bring on line beginning this year 23 new MRI machines ensuring timely access to this technology for all the people of Ontario.

Government is making long-overdue decisions. At the same time we are asking our health-care partners to also make changes, reduce costs, generate efficiencies, and strive to provide better service for patients.

Everyone in the health-care system is being asked to do their part. Those who suggest that their own sector or group should not be touched by change or that more funds should be given to them at the expense of other health-care partners are simply not addressing the reality of the situation. However, some of our partners are moving quickly to implement changes. I want to say to you today, thank you for your leadership.

One example of a health-care provider trying to do better with less is London Health Sciences Centre. Last October, the Victoria Hospital and University Hospital in London embarked on a voluntary merger resulting in a single board, administration and medical staff. Anticipated savings are $40 million with renewed emphasis on front-line, quality services to patients.

Here in Toronto, two health facilities, The Toronto Hospital and Sunnybrook Health Science Centre have entered into partnerships with private-sector laboratory companies to save money and deliver clinical laboratory services.

The Toronto Hospital and MDS have created a new company, Toronto Medical Laboratories, which will result in some $3 million in savings each year. Sunnybrook and Dynacare have also formed a new company, SDL, to take care of lab testing. This has saved 12 positions at Sunnybrook—half of the job losses that would otherwise have taken place.

As well one of the newest projects is being advertised on television. Our telemedicine programme between Thunder Bay and the Hospital for Sick Children is changing the face of diagnostics and treatment in remote areas.

These kinds of examples demonstrate how new thinking can lead to positive change within our health-care sector. To me, as well, it illustrates the commitment our health-care partners have to bringing about necessary change while continuing to provide quality health services to patients. I recognise that these are challenging and sometimes difficult times for those of you here today who are on the front line providing services. Just as our partners are examining all aspects of these services, we too are examining every aspect of health-care delivery.

As we reform and restructure both hospital and community-based care we must look at patient access to care. In a truly patient-focussed system it is essential that patients' first contacts with the system guide them quickly and efficiently to the health services they need.

We believe that primary care reform is one solution to bring about improved access to high-quality health services. Primary-care reform means we must change how we fund and pay providers, integrate our information systems for quick access to valuable data, and increase the co-ordination between services and health-care providers.

Work is underway to develop a strategy in partnership with physicians and other primary care providers to begin primary-care reform. I can tell you following my meetings this week with my provincial colleagues, Ontario is leading the way in this area.

We believe that physicians play a critical role in this reform and our health-care system as a whole. While virtually every other group in the broader public sector has undergone substantial budget cuts, we have preserved the budget for physician services at $3.805 billion. Given the fiscal pressures facing our government, fully preserving the physician's share of the health-care budget is a very significant and positive commitment.

We are anxious to move forward on the long-term initiatives that many physicians are asking for, such as primary-care reform, access to alternative payment plans and improvements in information technology. While I was in Ottawa, I took the opportunity to finalise an alternative funding arrangement for pediatricians and enter into a new funding arrangement for psychiatrists at the Children's Hospital of Eastern Ontario. One in 10 Ontario physicians in hospitals, community-health centres and health-service organisations are now paid through funding plans other than fee-for-service. This is a significant change in our system.

This week I sent a letter to each physician in Ontario, along with a copy of a proposed Physician Services Action Plan asking that we explore together several options for managing care. They include funding for underserviced areas, increased locum coverage for physicians in remote areas who need relief, and decentralising postgraduate medical training programmes to encourage new physicians to expand their skill sets and experience so that they are well prepared to serve the special needs of rural and isolated communities.

Given the attention my letter is receiving by the media, I want to be clear about the threshold levels the Ministry of Health has proposed for Ontario's physicians. We have proposed separate threshold levels for general practitioners and each specialty, with general practitioners having the ability to earn up to $250,000 a year before the first threshold takes effect. I also want to emphasise that my letter and the Physician Services Action Plan clearly states that I want to hear from physicians on these options. However, there are very real and very pressing cash-management issues in physician services which must be addressed in the very near future.

Another important feature of the action plan is the recognition that consumers need to be better educated about how to use the health-care system responsibly. As a result, we will soon be issuing a request for proposals from organisations interested in working in partnership with government to develop creative innovative patient-education programmes.

Our system needs a better, more informed consumer—a consumer who takes responsibility for how he or she uses the health-care system. Teaching people how to use the system will require the co-operative efforts of government and health-care providers alike.

Recently, we have seen the Hospital for Sick Children express concern about the misuse of their emergency room. This and other hospitals around Toronto have begun patient-education programmes featuring the appropriate use of emergency rooms, family physicians and 24-hour clinics. Developing a more educated patient is but one of the many challenges and changes the health-care system is experiencing.

Another important piece of primary-care reform is the role of drug therapy. While pharmaceutical care continues to serve as an integral component of health-care services, Ontario is on the edge of even greater changes in drug therapy. Only a few years ago, disease-state management, managed drug care and optimal therapy were merely concepts. More and more, they are a reality—initiatives that can improve patient care while effectively managing costs.

When this government took office, the Ontario Drug Benefit programme was headed in the wrong direction. Over time cost pressures would have continued to rise, compromising access to new drug therapies for patients. I am happy to say that our government has reversed that trend. We have introduced cost-sharing as a means of managing programme costs while, at the same time, expanding the Trillium Drug Programme to provide greater access for those who need help with high drug costs.

Another major change to the system is hospital restructuring. This month, the Health Services Restructuring Commission begins its four-year mandate to implement local hospital restructuring plans and engineer a reformed hospital system that places the needs of patients first. It will move the hospital system from one with high administrative costs—top-heavy with expensive infrastructure and laden with overlap, duplication and uncoordinated services—to one that focuses its spending on front-line patient services in a continuum of quality care.

On the day our government was sworn in, there were major restructuring studies underway in over 30 communities, but no blueprint existed on what to do with them when they were finished. We created the Health Services Restructuring Commission to ensure that good ideas for necessary change did not wind up gathering dust on some shelf in the basement of my Ministry.

You cannot implement fundamental hospital restructuring without providing for new or expanded services to avoid possible gaps in services at the community level.

That is why I announced last month, the largest reinvestment in health care yet by the Mike Harris government—170 million new dollars to be invested in community-based services such as nursing, personal care, homemaking, therapies, meal programmes and attendant care services. Health-care workers tell me that it will take two years for the system to absorb this large amount of new funding.

This announcement also means that some 80,000 more people will receive these additional community-based services and, 4,400 new health-care jobs will be created in community-based settings. All of us recognise that this is good news for Ontarians.

Ontario residents will benefit as well from our renewed focus on accountability. I can't stress enough that we are serious about accountability—on everything from physician fees to hospital budgets. We want to be more accountable to taxpayers for how their money is spent. We are working to squeeze waste and duplication out of the system to bring about more cost effectiveness.

To do so, we are working to create a "smart" system, linking our partners through an electronic health-information network. I expect this system to integrate information from a variety of health-care sectors to ensure strategic decision making.

There are currently some 200 government programmes transferring information into 1200 databases. This information is neither consistent across health-care programmes, nor accurately maintained. We have paper records in an increasingly paperless world. As a result, we often cannot tell where we must match our scarce resources to the most important patient needs. Until we can consistently know where our money is being spent across all of our health-care programmes, we will continue to pay for unnecessary services, inappropriate medical interventions, and insufficient follow-up for patients.

Ladies and gentlemen, I believe we have made a lot of progress in restructuring Ontario's health-care system in the short time we have been in government. I know that these are challenging times for health care in Ontario. I know that the changes we are making are unsettling particularly for health-care providers. Fundamental change always is. But as I have spoken to many of you during the past 10 months I have been Minister, I have learned we all have an enormous stake in the successful outcome of this restructuring process. Your ideas are essential in helping to bring about change and I want to thank you for your contributions. I continue to need your advice, consultation and recommendations.

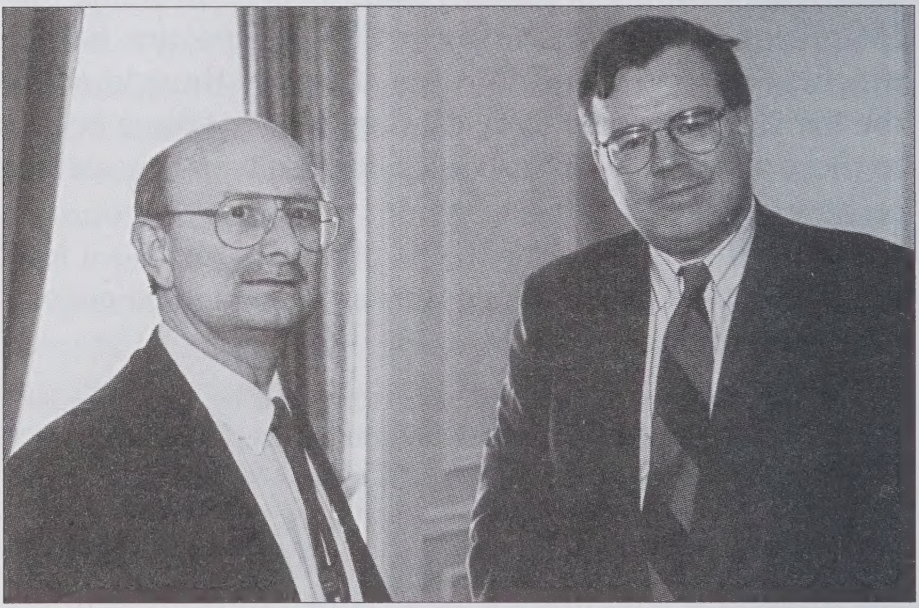
Though change is a never-ending process, I believe that years from now with your help, the Mike Harris government and the people of Ontario will be able to look back and be proud of what we have accomplished together. In particular we will look upon some very fundamental and substantive improvements to our health-care system.

On Wednesday I had my first opportunity to visit the Children's Hospital of Eastern Ontario. In its neonatal unit I witnessed life-sustaining care for premature babies weighing only one pound or less at birth. I thought about the families who only five years ago did not have access to these services for their babies. It put a very human face on how beneficial change can be.

I'm excited to be part of this change with you. I look forward to the great things we can continue to accomplish together.

The appreciation of the meeting was expressed by The Hon. Judy Erola, President, Pharmaceutical Manufacturers Association of Canada.

The Hon. Judy Erola, President, the Pharmaceutical Association of Canada with The Hon. Jim Wilson, Minister of Health and Ed Badovinac, a Director of The Empire Club of Canada and Chairman of the Year Book.



John Edmison with Empire Club Director Bill Laidlaw.

Empire Club president David Edmison with wife Elizabeth and son Alexander after annual meeting.

The Hon. Jim Wilson with Robert Dechert, Director of the Empire Club and Paul Newton, Vice-Chair the Ontario Hospital Association.

Annual General Meeting

President's Report

April 26, 1996

Chairman
David A. Edmison, President

David A. Edmison

Honoured guests, distinguished Past Presidents, members and friends of The Empire Club of Canada. Notice has been given that our annual meeting is to be held on this date and I have asked the Club Secretary, Willis Blair, to act as Secretary for the meeting.

In accordance with Article VI, Sub-section 2, the Club's Constitution, it is my pleasure to address you as your President for the 1995–96 year and report on the year's activities. Soon I will have the honour of joining that special group of individuals who have led this Club with distinction since our founding in 1903. I feel very privileged.

Over 2,000 years ago Sophocles wrote: "One must wait until the evening to see how splendid the day has been." It is almost impossible to express in one word how it feels to have had the privilege of being your President, but splendid would certainly be appropriate. I have met some wonderful people and enjoyed myself thoroughly.

It has, on reflection, been an eventful year and I will now summarize some of the events which took place and articulate some of the opportunities and challenges which face us in the future.

Our Office

Our Club office was renovated during the year. A fresh coat of paint was applied and rugs were laid. I'm pleased to report this was provided by our landlord as part of our lease renewal agreement and involved no outlay of capital.

Luncheons

During the year we hosted 40 events, serving almost 10,000 meals, with an average attendance of 225 persons at each event. Our speakers were drawn from a wide range of backgrounds and expertise. Several themes were developed throughout the year. From an international perspective our speakers included statesmen representing Romania, Hungary, Ireland, the United Kingdom and the United Nations. We were inspired by the words of Dr. Billy Graham and Sir John Templeton and were witnesses to history by the appearances of our Premier, the Ministers of Finance for Canada and Ontario, a former Prime Minister and several other leading political figures. We also had the opportunity to hear a number of leading business and opinion leaders offer us their insights in areas ranging from the information highway to financial reform.

Special Events

There were also several special events. We convened an Awards Ceremony in the fall, in conjunction with the Peter F. Drucker Foundation, recognizing excellence in the Non-Profit Sector. Early in the new year we held a successful and high profile "Investment Series" and recently we hosted a four-part "Health and Society" series. These special events were in addition to our regular special "Canada Day" and "Christmas luncheon," at both of which we were honoured to have our friend and a distinguished Past President of The Empire Club, His Honour the Lieutenant-Governor of Ontario, Henry N. R. Jackman, in attendance.

New Initiatives

As many of you know membership growth has been a priority over the years. Last year our membership was 1,817, down from 1,926. In order to stem this trend we have undertaken some very positive initiatives and I will summarize these briefly:

- We make each head table guest a member of the Club and present them with an attractive certificate of membership.
- We have a web site on the Internet.
- We had a membership contest.
- We have extended an invitation of membership to members of other organizations by personal invitation.
- In addition we have sponsored a number of events with different organizations, including, of course, our sister organization, the Canadian Club. This has allowed us to reach out to different constituencies, which is so essential for our growth and relevance.
- We have also maintained our fees (no planned increase this year), which includes the Empire Club book and a reduced price at each lunch, a bargain indeed.

Appreciation

I would like to acknowledge the commitment and contribution of the following for their efforts on behalf of The Empire Club:

Anne Lato: Our hardworking, cheerful administrator who simply makes things happen. She has been a joy to work with and we are all fortunate to have someone so capable to manage the office.

The Directors and Officers: I would like to thank all of you for your encouragement and support.

The Past Presidents: Many of you offered me advice and wise counsel which I appreciated. You have laid the building blocks for this venerable organization and for your efforts we are all very grateful.

Colin Wickham and the production crew at Rogers Community 10 and CJRT 91.1 FM.

The Royal York Hotel staff under the capable leadership of Stefan Deprez.

My wife Elizabeth for her support and encouragement.

In Memoriam

It is with sadness I report the death of two of our distinguished members during the past year:

Setrak Adourian (Director, 1977–1995)
James H. Joyce (Past President, 1954–1955)

These gentlemen gave generously of their time and talents and they will be missed by all of us.

The Future

Yogi Berra used to say, "The future ain't what it used to be." Indeed there will always be uncertainty. I am confident though that The Empire Club of Canada will continue to be the premier forum of record in North America. We must continue to keep an open mind; to innovate and experiment; and to reach out to different constituencies. I look forward to working with my successor, Julie Hannaford, and pledge my support to her. I am very enthused about the new members who have come on to the executive and board and the high calibre of expertise they bring. I believe with the present team in place The Empire Club will be well served for many years to come and as Sir Walter Scott said, “There’s a gude time coming.”

Thank you for the opportunity to serve as your President.

Membership

Total membership for the year 1995–1996 is 1,817 compared to 1,926 members in 1994–1995. Categories of membership are as follows:

	1995–1996	1994–1995
Honorary Life Members	5	5
Life Members	147	161
Spousal	352	392
Regular	1,062	1,107
Student	21	23
Senior	230	238

Attendance

A total of 40 meetings for the year 1995–1996 attracted 9,013 attendees representing a statistical average of 225 attendees per meeting compared to 46 meetings in 1994–1995 with 14,000 attendees representing a statistical average of 305 attendees per meeting.

Finance

Membership fees for regular membership, $50; spousal, $60.00; senior, $37.50; student, $30.00; or senior spousal, $50.00 and varying amounts depending on age for life membership. Luncheon prices for members approximate the hotel charge for luncheons. An additional charge of $5 is levied on non-member luncheons. The financial statements for the year ending

April 30, 1996 will be presented to the Board of Directors. The audited financial statements will be published in the 1995–1996 yearbook.

Respectfully submitted,

David A. Edmison
President

Report of the Nominating Committee

April 26, 1996

John A. Campion

Mr. President, distinguished guests, members of The Empire Club of Canada. It is my pleasure, as Chairman of the Nominating Committee, to report on the work of the Committee which was constituted in accordance with Article III of the Club's Constitution.

Nominating Committee

The following persons served on the Committee:

From the Board of Directors:
  John Campion—Chair
  Mary Lou Benotto
  Diana Chant
  David Edmison
  Julie Hannaford
  Gareth Seltzer
  John Tory

From the membership at large:
  Willis Blair
  Catherine Charlton
  John MacNaughton

Honorary Officers

The Nominating Committee is pleased to report that the Honorary Officers nominated for the 1996-97 season are as follows:

Honorary President
  The Rt. Honourable Roméo LeBlanc
  P.C., C.C., C.M.M., C.D.
  Governor General of Canada

Honorary Vice-President
The Honourable Henry N. R. Jackman
C.M., K.St.J., B.A., LL.B.,LL.D.
Lieutenant-Governor of Ontario

Honorary Chaplain
The Rev. Canon Harold F. Roberts
C.D., B.A., M.Div., AdeC.

Honorary Secretary
Alan Tonks

Honorary Treasurer
Hartland M. MacDougall, C.V.O., O.C.

Honorary Solicitor
J. A. William Whiteacre, M.M., C.D., Q.C.

Archivist and Historian
Gordon G. Steele, M.Comm.

Honorary Directors

It is the recommendation of the Committee that the following continue as Honorary Directors: Leland H. Ausman, The Hon. Barnett J. Danson, P.C., A. Carlyle Dunbar, Katie Hermant, Montague Larkin, Dr. James A. Parish, Leslie C. Parkinson, Angus Scott, Margaret Scrivener and William G. Whittaker.

Directors

According to the Club's Constitution "the Board of Directors shall consist of forty members ... including at least four Past Presidents of The Empire Club, one of whom shall be the immediate Past President and three others shall be the three Past Presidents immediately preceding the immediate Past President..."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the Club:

the immediate Past President, David A. Edmison and also John Campion, Frederic L. R. Jackman, and Robert Brooks.

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

Edward P. Badovinac
Douglas G. Bassett
S. W. (Sam) Billich
Mary R. Byers
LCol. A. G. (Sandy) Cameron, S.B.St.J., C.D., AdeC.
Gordon Chong
Denise Cole
Ann Curran
Tom Davies
Robert J. Dechert
Maj. William A. Duncan, C.D.
Jan Dymond
Blake C. Goldring
Duncan N. R. Jackman
Bill Laidlaw
Anne Libby
Marcia McClung
William J. McCormack
Bart J. Mindszenthy, APR.
Charles A. Pielsticker
Maria Roman-Bricknell
Margaret Samuel
Paul B. Scargall
Gareth S. Seltzer
C. Alexander Squires
Larry Stout
Thomas L. Wells

Resignations

I would like to take this opportunity to pay tribute to Alfred Apps and Rob Davis who have chosen to step down for personal and professional reasons. Both have been of great service to the Club and we are grateful to them.

New Directors

Your Nominating Committee is pleased to nominate the following new member for the Board of Directors:

Marnie McGarry

Officers

In addition to the above-mentioned nominees, the Committee recommends the election of the following three people who will be proposed to the Board of Directors for appointment to the positions of Vice-President and Director:

President-Elect and Director
Mary Lou Benotto

2nd Vice-President and Director
John H. Tory

3rd Vice-President and Director
Doug Todgham

The Nominating Committee is pleased to report that Willis L. Blair will continue as Secretary and that Diana L. Chant, C.A., has agreed to continue as the Club's Treasurer. Both Willis Blair and Diana Chant will also serve as Directors of the Club.

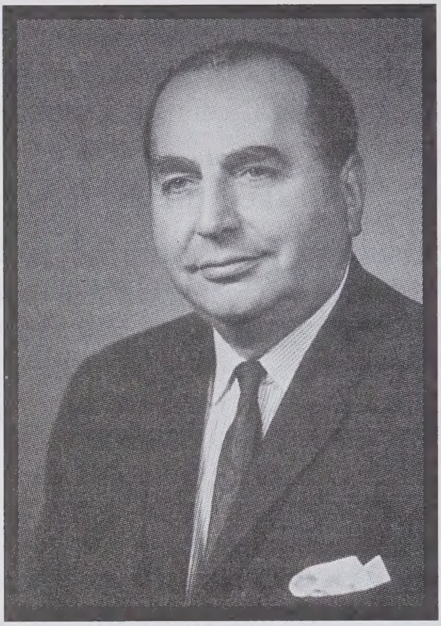
Finally, your Committee is pleased to nominate as President and Director of The Empire Club of Canada for its 1996–97 season, Julie K. Hannaford.

Respectively submitted,

John A. Campion
Chairman

Tony van Straubenzee moved acceptance, seconded by Blake Goldring. There being no further nominations, Gordon Steele moved that nominations be closed. Carlyle Dunbar seconded the motion.

The President then asked the Secretary, Willis Blair, to cast a single ballot in favour of those persons named in the report of the Nominating Committee, in accordance with Article III-3 of the Constitution of the Club. The President declared the members properly elected as Directors of The Empire Club of Canada for 1996–97, the Club's 93rd year. The meeting was adjourned.



Reflections on Setrak Adourian
Holy Trinity Armenian Church, October 23, 1995
by Edward Badovinac

Manoushag, your Grace, family, relatives and friends of Setrak, it is indeed an honour to express a eulogy to our beloved Setrak.

Empire Club of Canada, Toronto Board of Trade, Arts and Letters Club, Rotary Club of Toronto, ballet and opera, Don Rowing Club, the Armenian community, the Armenian Church, the Royal Ontario Museum, the Art Gallery of Ontario, squash and golf—these are just a few activities in which Setrak was involved and I apologise for leaving out those of which I am not aware.

Setrak got me involved in The Empire Club. Before Setrak got married, each Thursday as I went on my way from George Brown College, close to the rug gallery, I would drop into the store and Setrak and I would stroll to The Empire Club at the Royal York. After lunch we would wander back. Setrak had the habit of always standing close to the edge of the curb. I was very concerned so I also stood close to the edge watching out for him. After

Setrak got married, I, now being in the habit of standing close to the edge, got pulled back from the edge by Setrak. "Don't stand too close to the edge, Ed," Setrak said, "Manoushag doesn't like me to stand too close to the edge."

One occasion Jocelyn, my wife, and I were invited to hear Kantarjian and an accompanist play at the St. Lawrence Centre of the Arts. The theatre was packed, standing room only. We were honoured to be sitting next to Setrak. At the end of the performance, Kantarjian turned and pointed to Setrak and a spot light was shone upon us. All eyes focussed on Setrak and we couldn't help but feel the strength of this great man. Kantarjian shouted that the next duo would be in his honour. The sabre dance was performed on the violins. What a thrill. What a Setrak.

Setrak came to Canada in 1924 and did some work at the Royal York Hotel in 1929. This relationship lasted most of his life.

He has left us with a giant legacy, much greater than we could ever imagine. We are richer in having known someone as great as him. When I talked to all his friends, everyone thought of him with great fondness.

His knowledge of rugs was very great; in fact he was a walking encyclopedia and his knowledge was sought by many. He was known as "the king of rugs."

We have all been enriched by having known Setrak for he was always so free with his inner self, his charity and his deep spiritual way.

Setrak and I had a wonderful relationship—like that of father and son. Often he would say that I was really Armenian.

I am sure that most of us have rugs in our homes—living memorials to his love of beauty and constant reminders of our friend.

Setrak will live in our hearts and minds forever.

MEMBERSHIP 1995–1996

Life Members

N. John Adams
J. D. Alexander
John P. Alexander
William N. Allan
Graham H. Ambrose
B.Gen. & Mrs. S. F. Andrunyk
Mr. & Mrs. Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward Badovinac
John Bassett
Joseph Batty, OBE
Mr. & Mrs. Ian S. Baxter
D. S. Beatty
M. E. Louise Beck
Dr. R. C. Bennett
Bruce Birrell
Willis L. Blair
R. L. Broad
F. B. Brooks-Hill
Arthur E. Brown

Mrs. Charles Carter
Sir Arthur R. T. & Lady Chetwynd
Mr. & Mrs. John Cook
Benedict G. R. Cotterill
Mr. & Mrs. Elgin E. Coutts
John A. D. Craig
Dr. H. V. Cranfield
Nola Susan Crewe
Dorothy Crummey
Mrs. Matthew Currie

George C. Damiani
Douglas A. C. Davis
Elvio Del Zotto
Mr. & Mrs. D. L. Derry
Robert G. Douglas
A. A. Duncanson
Mr. & Mrs E. A. Duvernet

Joseph L. Etherington

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Federico Friedberg
Col. C. S. Frost, Jr., Q.C., C.D.

Lillian G. Gandier
George Raymond Gibson
J. Rennie Graham
John W. Graham, Q.C.
Kenneth G. Graham
Patricia A. Grand
Wayne Scarisbrick Gray
Ian Griffin
John W. Griffin

George S. Hanson
Nona Macdonald Heaslip
Paul T. Hellyer
Roland E. Henderson, Q.C.
Adam B. T. Hermant
Peter Hermant
John D. Herrick
Col. R. H. Hilborn
William S. Hill
Dorothy Hobbs
Dennis Holota
Mrs. E. Howell

A. E. M. Inwood
John F. Irwin

Henry N. R. Jackman
Friederich W. Jung

Elfreda W. Karn
John Kemp
F. Marion Kiddell

James G. Laidlaw
A. T. Lambert
John V. Lawer, Q.C.
Kenneth Legge
M.Gen. Bruce J. Legge
Eric N. Lehner
Friedrich Lehner

James D. Lewis
Mr. & Mrs. D. D. Lucas
Joseph F. Luciano

E. Nelson MacNab
John & Gail MacNaughton
Beverley Matthews, Q.C.
Ewald P. Mazurek
Fred G. McBrien
John S. G. McCrimmon
James W. McCutcheon, Q.C.
F. Y. McCutcheon
Konrad R. W. Mech
Dr. Herbert Michel
Mr. & Mrs. Edwin Mirvish
D. V. Mosher
Clifford N. Moss

John F. Nagel
James G. A. Naish

Major & Mrs. R. B. Oglesby
Stanislaw T. Orlowski

John A. Patton
Norman Pearson, F.R.T.P.I.
B. E. Plain
Dr. Sheila Pollock
D. A. Pryer

Grant L. Reuber
John E. Richardson
Rev. Canon & Mrs. H.F. Roberts
Helen E. Roman Barber
Professor Henry U. Ross
Col. The Hon. R. C. Rutherford

Leo E. Schacter, Q.C.
G. M. Sellar
J. A. Seyfried
Mrs. H. R. Shaver
Samuel V. Shefsky
Dr. & Mrs. W. K. Shultis
James R. Smeed
Albert Smith, Q.C.
Mrs. Donald T. (Audrey) Smith
Sam Sniderman, C.M.
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder
Mr. and Mrs. G. G. Steele
Dr. Peter Stingelin
Mrs. Edgar J. Stone

Graham John Tappin
Mrs. Barton F. Teasdale
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
Capt. T. C. Turner, C.D., R.C.N.R.
L.Col. P. J. Tuz, C.M., C.D.

Michael Van Denbossche

Gordon Waldie, Q.C.
Kenneth M. Watson
F. Bartlett Watt
Douglas S. Wells, O.M.C.

Andrew Stephen Zarnett

Senior Members

H. H. Alexander
Nizamud-Din Alibhai
Mona Allworth
Rev. Harry Amey
R. F. K. Anthony
Bluma Appel
Wm. L. Archer, Q.C.
G. Warren Armstrong

Sharon Baptista
Sonja Bata
K. J. Beamish
R. I. Beatty
Fred E. Becker
BGen. G. G. Bell, C.D., O.C., M.B.E.
Beatrice Bennett
J. L. Biddell
Walter Bilbrough
Adrian Boremisa
Jessie K. Borthwick
William B. Bot
K. Breuer
D. H. Brown
Roel C. Buck
Alexander Budrevics
Catherine E. Butters

Ina C. Cahill
Dorothea Carter
Hugh M. Carter
William B. Cavan
Dixon S. Chant
E. J. Chard
Lane R. Chester
James H. Clarke

A. H. M. Claus Van Banning
Major F. N. Clifford
Tom Clifford
J. M. Coker
J. C. P. Conrad
His Honour Judge F. J. Cornish
W. D. Cowan
William J. Coyle
John Cozens
R. W. Crawford
Ronald J. Crichton
Noel Croxon
William W. Cruise
Taimi Cushing
Dr. Kalman Czegledy

R. G. Dale, D.S.O., D.F.C., C.D.
Dr. Naim Dallal
The Hon. Barnett J. Danson
Lloyd E. Dingle
R. V. Doty
L. R. Douglas
Shaun Patrick Duffy
Charles S. DuToit, C.A.

Stuart E. Eagles
Brian A. Edgar
John J. Elder
Gord Ellis

Mrs. D. Y. Ferguson
Peter B. G. Ferguson
Win Finlayson
Rhoda Finneron
Imre Finta
Richard H. Fisher
Robert J. Fleming
L. G. B. Flint
Dr. John Flowers
C. Dennis Flynn
Bernard Friedman

Juergen Geber
T. John Gillelan
W. L. Goldson
Tadeusz Gonsik
John E. Goodwin
The Hon. Lorraine Gotlib
Dr. M. E. Graham
Dr. O. J. Graham
James J. Graham
Earle Gray
Wm. John Greening
T. P. Gregor
Karl Gyaki

Annabell Halliday
C. L. Haney
Stella Hannaford
Ruth Hart
Keith C. Hendrick
Thomas Hollinshead
Cedolph Hope
Ying Hope
Robert G. Hortop, C.A.
Elizabeth Hughes
Barbara Macbeth Hurst

Aldo Ippolito
A. B. Irwin

Aileen Jackson
Bernice Jackson
H. J. Janthur
E. B. Jolliffe, Q.C.
Douglas A. Joyce
Willi Justrich

Terence Kavanagh
Clayton Keefe
James W. Kerr
Norman J. Keyes
Dr. George Kibedi
Marie Knaul
LCol. Gerhard A. W. Knopf
Coral Ko
Sonja N. Koerner
Virginia Koury

Margaret Lant
Andrew Lawson, Q.C.
D. G. Lawson
John B. Lawson
Laura Legge, Q.C.
Trevor B. Lewis
Dr. W. R. N. Lindsay
E. C. Lipsit
Wilfried Lorenz
John M. Lowndes, Q.C.

H. Ian Macdonald
Robert K. Mackenzie
G. Peter MacNames
Dr. George A. Malcolm, D.C.
June Marks
Shirley Marsden
Joyce Marshall

Victor Martinaitis
Anthony V. Mason
G. Chester McClure
W. H. McCormack
Willis S. McLeese
Marjorie McLetchie
Colin J. McMechan
Eileen R. McNeil
Donald W. McQuat
R. C. Meech, Q.C.
John P. Meister
Shirley Mendelson
J. Alexander Menzies, Q.C.
Russell Merifield
George E. Mills
Douglas G. Milne, Q.C.
David J. Mitchell, D.D.S.
G. A. Morizet-McDonald
James Leslie Morrow
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Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the balance sheet of The Empire Club of Canada as at April 30, 1996 and the statements of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG
Chartered Accountants

Toronto, Canada
June 21, 1996

Financial Report

THE EMPIRE CLUB OF CANADA
Balance Sheet as at April 30, 1996

	1996	1995
Assets		
Current Assets		
Cash and short-term deposits	$268,079	$ 241,319
Accounts receivable	18,092	11,718
Inventory	2,081	2,101
	288,252	255,138
Fixed Assets	1	1
	$288,253	$255,139
Liabilities		
Current Liabilities		
Accounts payable	$ 27,649	$ 56,498
Due to The Empire Club Foundation	106,493	61,493
Provision for prepaid membership fees and unredeemed luncheon tickets	6,451	9,992
	140,593	127,983
Members' Equity		
Surplus	128,083	107,579
Life Membership Reserve	19,577	19,577
	147,660	127,156
	$288,253	$255,139

Signed on behalf of the Board

Frederic L. R. Jackman
Director

Diana L. Chant
Director

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Statement of Members' Equity for the Year Ended April 30, 1996

	1996	1995
Surplus, Beginning of Year	$ 107,579	$ 96,789
Transfer from life membership reserve (Note 2)	—	1,200
Excess of revenue over expenditures for the year	45,504	9,590
Special contribution to Empire Club Foundation	(25,000)	—
Surplus, End of Year	$ 128,083	$ 107,579
Life membership reserve, beginning of year	$ 19,577	$ 20,777
Transfer to surplus	—	(1,200)
Life membership, end of year	$ 19,577	$ 19,577

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Revenue and Expenditures for the Year Ended April 30, 1996

	1996	1995
Revenue		
Membership fees	$ 41,056	$ 47,727
Luncheons		
Regular, net	12,798	22,527
Special	27,081	22,920
Head table sponsorship	23,071	4,378
Other sponsorships	46,496	19,645
Interest	12,724	8,403
	163,226	125,600
Expenditures		
Meetings	735	350
Members' notices	19,729	24,143
Office and general	13,687	5,139
Office salaries and employee benefits	37,932	38,437
Printing, stationery and postage	8,072	9,010
Publicity and promotion	1,998	3,666
Rent	10,737	10,497
Telephone	4,516	3,759
Yearbook donation and sundry expenses	20,316	21,009
	117,722	116,010
Excess of Revenue over Expenditures for the Year	$ 45,504	$ 9,590

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements for the Year Ended April 30, 1996

General

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

1. *Summary of Significant Accounting Policies*

(a) Revenue Recognition
Revenues are recorded on the accrual basis of accounting.

(b) Inventory
Inventory is valued at the lower of cost and net realizable value.

(c) Fixed Assets
Fixed assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as an office and general expenditure in the year acquired. There were no significant additions in the fiscal year ended April 30, 1996.

(d) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue
Deferred revenue consists of membership fees paid in advance and unredeemed luncheon tickets.

(f) Statement of Changes in Financial Position
A statement of changes in financial position has not been included as it would not provide any additional meaningful information.

2. *Life Membership Reserve*

Term deposits are segregated as funding for this reserve in order to provide a continuing income stream to sustain the membership costs of life members.

3. *Commitment*

In October 1995, the Club entered into a lease agreement for premises expiring September 30, 1997. Minimum annual rental payments under this lease agreement for the year ending April 30, 1997 amount to $8, 652 and for the year ending April 30, 1998 amount to $3,605.

The Empire Club Foundation

December 1996

Ladies and gentlemen,

The 1995–96 year of The Empire Club of Canada was a most successful one under the able presidency of David Edmison. The speakers and their addresses were of great interest and complement well the precedent set in earlier years. The financial success of the Club enabled it to make a special one-time contribution to the Foundation as part of the current special fundraising campaign.

The fundraising campaign was started last March, with a favourable response, as evident from the financial statements to follow. This campaign, designed to return the Foundation to financial stability, will continue through next April. Upon successful completion of the campaign, the Foundation will again be able to fund through the normal fundraising campaign, the publication of each year's book and provide this book, free of charge, to educational and public libraries across Canada.

I very much appreciate the strong financial response from members and friends of The Empire Club of Canada. The support and advice of the Directors and Officers of the Empire Club Foundation is also most appreciated.

Yours sincerely,
Douglas L. Derry, FCA
Chairman

Officers

Honorary Chairman: John W. Griffin
Chairman: Douglas L. Derry, FCA
Honorary Secretary William G. Whittaker, QC
Honorary Solicitor: J. A. William Whiteacre, MM, CD, QC
Honorary Treasurer: Ronald Goodall, FCA
Past Chairmen: Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC
Robert H. Hilborn, LVO, MBE, CD
John A. MacNaughton
Reginald W. Lewis, CMM, CM, OStJ, CD

Directors

Warren Armstrong
Sarah A. Band, CStJ
John F. Bankes
Douglas G. Bassett, OC, KStJ, O Ont., LLD, LITT
Paul D. J. Clark
David Edmison
C. Warren Goldring
Frederick L. R. Jackman, PhD
Hartland M. MacDougall, CVO, OC
David G. C. Menzel, QC
Harry T. Seymour

Registration Number 0353532-13

The Empire Club Foundation

CONTRIBUTORS: 1995–1996

PATRONS ($1,000.00 or more)*

AGF Management Limited
Bickell, J. P. Foundation
Campion, John A.
CIBC
Derry, Douglas L.
Eaton Foundation
Edmison, David A.
Empire Club of Canada
Glaxo Wellcome Inc.
Goldring, C. Warren
Griffin, John W. F.
Jackman Foundation, 1964
Jackman H. N. R. Foundation
Jewison, Norman and Margaret Charitable Foundation
Lambert, Allen T.
MacDougall, Hartland M.
MacNaughton, John A.
Scotiabank

ENDOWMENT BENEFACTORS ($500.00 to $999.00)

Chant, Diana
Legge, Bruce J.
Lewis, Reginald W.
Stalder, Henry J.

BENEFACTORS ($250.00 to $499.00)

Badovinac, Edward and Jocelyn
Potts, Joseph H.
Seymour, Harry T.
Squires, Alex

DONORS ($100.00 to $249.00)

Armstrong, Warren
Bassett, Douglas
Beattie, Allen
Byers, Mary
Cameron, Sandy
Carlisle, Donald H.
Charlton, Catherine
Common, D. L.
Currie, Dorothy G.
Danson, Barnett
Dunbar, Carlyle
Grosart, John
Irwin, Arnold B.
Lander, Donald H.
Lupp, John
Morton, Murray D.
Pollock, Dr. Sheila
Sorbara, Joseph
Todgham, L. Douglas
Weston, J. Reid
Whiteacre, J. A. William
Wilson, R.

* *Some of these donations were received subsequent to April 30, 1996, to enable the publication of this yearbook.*

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the balance sheet of The Empire Club Foundation as at April 30, 1996 and the statement of revenue and expenses and members' deficiency for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations from supporters, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of expenses over revenue, assets and members' deficiency.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG
Chartered Accountants

Toronto, Canada
September 16,1996

Financial Report

THE EMPIRE CLUB FOUNDATION
Balance Sheet as at April 30, 1996 with comparative figures for 1995

	1996	1995
Assets		
Current Assets		
Cash	$ 6,436	$ 8,250
Accounts and interest receivable	315	19
Due from The Empire Club of Canada	106,493	61,493
	$113,244	$ 69,762
Liabilities and Members' Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities	$154,280	$ 92,000
Members' Deficiency	(41,036)	(22,238)
	$113,244	$ 69,762

Signed on behalf of the Board

Douglas Derry
Director

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION Statement of Revenue and Expenses and Members' Deficiency for the Year Ended April 30, 1996 with comparative figures for 1995

	1996	1995
Revenue		
Donations:		
The Empire Club of Canada	$ 45,000	$ 20,000
Supporters	7,278	6,486
Interest	—	198
	$ 52,278	$ 26,684
Expenses		
Yearbook	70,986	46,264
Stationery, postage and other expenses	90	123
	$ 71,076	46,387
Excess of Expenses over Revenue	(18,798)	(19,703)
Members' Deficiency - Beginning of Year	(22,238)	(2,535)
Members' Deficiency - End of Year	$ (41,036)	$ (22,238)

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 1996

1. *The Foundation*

   The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Significant Accounting Policy*

   The Foundation includes donations in revenue when received except for donations from The Empire Club of Canada which are included in revenue when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. *Future Operations*

   These financial statements have been prepared on the going concern basis, which assumes continuing support by The Empire Club of Canada and the Foundation's ability to generate future donations to complete production of the yearbooks.

   Subsequent to April 30, 1996, the Foundation has received donations sufficient to eliminate the April 30, 1996 deficit and enable continued production of the yearbook.

CONSTITUTION

As amended April 26, 1973

Organization of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members

   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds

majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be

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[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the

meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice

President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   - (a) Budget and Finance Committee
   - (b) Speaker's Committee
   - (c) Membership Committee
   - (d) Constitution Committee
   - (e) Reception Committee
   - (f) Publicity and Public Relations Committee
   - (g) Yearbook Committee
   - (h) Head Table Committee

   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person

other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Amendment to By-Law A

The President stated that the Directors at their last meeting had amended the General By-Law of the Club so that the first Vice-President could be designated in the future as first Vice-President and President-Elect. This change was required to be confirmed by the members and accordingly

ON MOTION DULY MADE, SECONDED, AND UNANIMOUSLY CARRIED, it was resolved that the following amendment to Paragraph 1 of Article IV of By-Law No. A be confirmed:

Officers

The officers shall consist of an Honorary President, an Honorary Vice-President, a President, a first Vice-President and President-Elect, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary and a Secretary-Treasurer. The Board of Directors may from time to time elect or appoint such other officers as it shall deem necessary. The President, the First Vice-President and President-Elect, the Second Vice-President and the Third Vice-President shall be directors of the Club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing.